

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

GUY T. MITCHELL and ROYAL PALM SENIOR
INVESTORS, LLC,

Plaintiffs,

-against-

CARBON CAPITAL II, INC.,

Defendant.

08 Civ. 4319 (JES)

**AFFIDAVIT OF GUY T. MITCHELL IN RESPONSE
TO DEFENDANT'S MOTION TO HOLD MITCHELL IN CONTEMPT**

STATE OF FLORIDA)
) ss.:
COUNTY OF DADE)

GUY T. MITCHELL, being duly sworn, deposes and says:

1. I am a plaintiff in this action, and I make this affidavit in response to the motion of defendant Carbon Capital II, Inc. ("Carbon Capital") to have me adjudged in contempt for violating the Court's standstill order. I have personal knowledge of the facts set forth herein.

2. Carbon Capital's motion is based on various transfers that have been made to the Mitchell Hotel Group LLC ("MHG") by the Royal Palm Hotel. The circumstances relating to those transfers are described below.

3. Before addressing those circumstances, however, I want to acknowledge to the Court that I exercised bad judgment, and did cause the Royal Palm Hotel to make various transfers to MHG after the Court issued its standstill order in violation of that order. I apologize for that conduct, and acknowledge that I should not have made the transfers. In an attempt to

remedy that conduct, I have caused \$1,335,000, which represents the full amount of the transfers that were made on or after April 17, 2008, the date on which the Court orally issued its Order,¹ to be transferred to a bank account maintained by the law firm representing the Receiver, Albert Rosenblatt.² As a result, the transfers made in disregard of the Order have been fully unwound, and restitution has been made.

Background of the Transfers to MHG

4. In early 2007, I assumed responsibility, as the manager of Royal Palm Manager LLC, to oversee the operations of the Royal Palm Hotel. I replaced the individual who was the manager of Royal Palm Manager LLC because of his poor performance in managing the Royal Palm Hotel and the need to become directly involved in order to protect the majority interest that my wife and I, as tenants in the entirety, ultimately held in the Royal Palm Hotel.

5. Subsequent to that time, throughout 2007, Navcen Ahuja and William Cygnor, the two individuals who were responsible for the day-to-day management of the Royal Palm Hotel, frequently requested that I make short-term loans to help address cash flow short falls that the Royal Palm Hotel was experiencing. Over the course of the last two years, I have made millions of dollars of such advances. I have never charged the hotel interest for these loans.

¹ The schedule submitted by Carbon Capital as Exhibit E to the Affidavit of Isaac Greaney, sworn to June 13, 2008, does not distinguish when during the month of April transfers were made – it records all of them as having occurred on April 30, 2008. Hence, it overstates that amount of transfers made after the Court's Order. The detailed information regarding when those transfers were made is set forth below in paragraphs 13-15. The amount of my transfer is consistent with the total amounts shown on the accounting records of the Royal Palm Hotel as being transferred on or after April 17, 2008.

² My counsel proposed that the funds be returned directly to the Royal Palm Hotel, but the Receiver wanted possession of those funds himself.

6. These loans were made directly by MHG, a company owned by my wife and me as tenants in the entirety. Because they were short term advances without any fixed term, as would be expected, there were no promissory notes. The loans, however, have always been reflected on the books and records of the Royal Palm Hotel, including the financial statements that were provided on a monthly basis to Carbon Capital, as William Cygnor testified at his deposition.³

7. As circumstances permitted, from time to time during 2007, the Royal Palm Hotel repaid those advances. Those repayments are also reflected in the books and records of the Royal Palm Hotel, as well as the financial statements sent to Carbon Capital. Cygnor Tr. at 112-115, 125.

8. As a consequence, the amount of the indebtedness due MHG varied over time. It increased and decreased based on whether I was asked to make a loan to the Royal Palm Hotel or whether the Royal Palm Hotel had the funds that enabled it to repay outstanding loans. This activity was a function of the Royal Palm Hotel's operating profit.

9. The variability in the amount of loans made to the Royal Palm Hotel is reflected in the balance sheets that were marked as Exhibit 27 to my deposition that occurred on June 10, 2008. A copy of that deposition exhibit is annexed hereto as Exhibit 2. Since November 2007, Carbon Capital has received copies of those balance sheets, starting with the October 2007 balance sheet. Cygnor Tr. at 125-126.

10. Beginning in February 2008, I began having the Royal Palm Hotel make transfers to MHG to repay the outstanding loans, which at that time totaled more than

³ Copies of the pertinent excerpts from Mr. Cygnor's June 10, 2008 deposition is annexed hereto as Exhibit 1.

\$4,000,000. Those transfers continued throughout March, April and May 2008. As I have acknowledged above, I should have stopped having those transfers made once this Court issued its standstill order on April 17, 2008, but I failed to do so.

Return of the Post-April 17 Transfers to the Royal Palm Hotel

11. Carbon Capital's contempt motion is based on the schedule that was purportedly prepared by Albert Rosenblatt, the Receiver appointed by the Supreme Court for the State of New York, New York County in the action entitled Hotel 71 Mezz Lender, LLC v. Falor, Index No. 601175/07. That schedule is annexed as Exhibit F to the Greaney Affidavit.

12. The schedule shows a series of transfers having been made to MHG on February 29, 2008, March 31, 2008, April 30, 2008 and May 15, 2008.⁴

13. The schedule of transfers attached as Exhibit E to the Greaney Affidavit was, in fact, prepared by William Cygnor, the financial controller for the Royal Palm Hotel. See Cygnor Tr. at 104, 126. Mr. Cygnor prepared that schedule by taking information off the Royal Palm Hotel's general ledger. See id. at 126. The information regarding the amounts of the various transfers to MHG in the Spring of this year is accurate, but the "posting date" is misleading. That date reflects the date on which Mr. Cygnor posted a particular transfer to Royal Palm Hotel's general ledger, but it does not represent the date of the transfer. Id. at 126-127. Rather, the transfer date is reflected on the bank reconciliation schedule and bank statements that Mr. Cygnor maintained on a daily basis based on information that he received from the Royal

⁴ Prior to this action having been commenced, Carbon Capital was aware of the transfers to MHG. Neither I nor Royal Palm attempted to conceal the fact of the transfers. For instance, the Monthly Report for February 2007 that was sent to Carbon Capital shortly after the end of the month reflected a reduction in the MHG loan account in the Current Liabilities section. (The balance sheet excerpt from the February report is part of the deposition exhibit annexed hereto as Exhibit 2.)

Palm Hotel's banks. *Id.* at 127. Thus, Exhibit E to the Greaney Affidavit, in fact, does not show when the transfers occurred, and it is necessary to examine the bank records in order to determine those dates.

14. The transfers, in fact, occurred over various days through the months of April and May 2008. They did not all occur on April 30 and May 15, 2008, as Exhibit E to the Greaney Affidavit incorrectly implies. Attached hereto as Exhibit 3 is a schedule showing the amount of and the actual transfer date for each transfer for the period April 1, 2008 through May 31, 2008. That schedule is based on the bank statements for the Royal Palm Hotel, which Mr. Cygnor maintained in the ordinary course. See Cygnor Tr. at 114. True and correct copies of the pertinent pages from the records showing each of those transfers is annexed hereto as Exhibit 3.

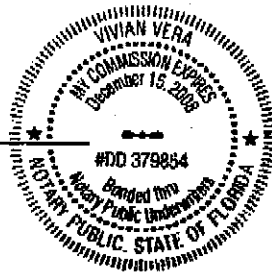
15. As reflected on the schedule, only one of the April transfers to MHG was made after the Court's Order -- a transfer of \$130,000 occurred on April 18, 2008. All of the other April 2008 transfers occurred prior to that date, i.e., before this Court's Order. As reflected on the schedule annexed hereto as Exhibit 4, I caused \$1,335,000 to be transferred from the Royal Palm Hotel to MHG on or after April 17, 2008.⁵

16. On June 30 2008, I caused a wire transfer in the amount of \$1,335,000 to be made to the bank account maintained by the firm of McCabe & Mack at HSBC Bank. That

⁵ Carbon Capital's contempt motion is based on the Stipulation and Order signed by this Court on April 24, 2008. As a result, Carbon Capital bases its motion on all of the transfers that appear to have been made after the April 24 date. In responding to this motion and as a reflection of my attempt to make amends for my conduct, I have transferred back to the Royal Palm Hotel all funds that I caused to be transferred on or after April 17, 2008, the date on which the Court orally stated that a standstill should go into effect. As a result, I am also returning the funds that were transferred on April 18, 2008, even though the transfer occurred before the Court signed the stipulation.

bank account is purportedly in the control of the Receiver, who specifically directed that the transfer be made to that account in response to my counsel's question as to where those funds should be sent. Annexed hereto as Exhibit 5 is a confirmation of that wire transfer having been made.

Sworn to before me this
30 day of June, 2008
Notary Public



By: Guy T. Mitchell
GUY T. MITCHELL

Exhibit 1

1
2 UNITED STATES DISTRICT COURT
3 SOUTHERN DISTRICT OF NEW YORK
4

5 GUY T. MITCHELL,)
6)
7 Plaintiff,) 08 Civ. 4319 (JES)
8)
9 vs.)
10)
11 CARBON CAPITAL II, INC.,)
12)
13 Defendant.)
14 -----)

15
16 VIDEOTAPED DEPOSITION OF WILLIAM JOHN CYGNOR
17 New York, New York
18 Monday, June 16, 2008
19

20
21
22
23 Reported by:
24 KRISTIN KOCH, RPR, RMR, CRR, CLR
25 JOB NO. 17259

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June 16, 2008
2:02 p.m.

Videotaped Deposition of WILLIAM JOHN CYGNOR, held at the offices of Sidley Austin LLP, 1251 Avenue of the Americas, New York, New York, before Kristin Koch, a Registered Professional Reporter, Registered Merit Reporter, Certified Realtime Reporter, Certified Livenote Reporter and Notary Public of the State of New York.

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APPEARANCES:

ARNOLD & PORTER LLP
Attorneys for Plaintiff
399 Park Avenue
New York, New York 10022-4690
BY: H. PETER HAVELES, JR., ESQ.

SIDLEY AUSTIN LLP
Attorneys for Defendant
1251 Avenue of the Americas
New York, New York 10020
BY: NICHOLAS P. CROWELL, ESQ.
JEREMY FISCHBACH, Summer Associate

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APPEARANCES: (Continued)

McCABE & MACK LLP
Attorneys for Royal Palm Senior Investors LLC and Royal Palm Senior Management
63 Washington Street
Post Office Box 509
Poughkeepsie, New York 12602-0509
BY: PHILLIP SHATZ, ESQ.

ALSO PRESENT:

JOSH LIPSON, Legal Video Specialist

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THE VIDEOGRAPHER: This is the start of tape number 1 of the videotaped deposition of William Cygnor in the matter Mitchell versus Carbon Capital, Incorporated.

Today's date is June 16th, 2008 at approximately 2:02 p.m.

Will the court reporter please swear in the witness.

WILLIAM JOHN CYGNOR, called as a witness, having been duly sworn by a Notary Public, was examined and testified as follows:

MR. SHATZ: I'd like to make one statement for the record just before we start here. I want to make it clear that McCabe & Mack appears here solely as representing Royal Palm Senior Associates, having been retained by the Receiver to do so, and we are here to protect the interests of Royal Palm Senior Associates, Inc. -- LLC only.

MR. CROWELL: Just for the record, do you mean Royal Palm Senior Investors?

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1 **Cygnor**
2 A. I was asked for information for a
3 due diligence portion.
4 **Q. Who asked you for that information?**
5 A. Naveen Ahuja.
6 **Q. Did you speak to anyone at Hyatt?**
7 A. At Hyatt, no.
8 **Q. What did you provide to Mr. Ahuja?**
9 A. A lot of stuff. We provided hotel
10 operating contracts, leases, forecasts, lien
11 notices, lien releases. Varied information
12 that Naveen or the attorney for the hotel asked
13 of me.
14 **Q. Do you know whether the Hyatt deal**
15 **was ever consummated, sir?**
16 MR. HAVELES: Objection to form.
17 Calls for a legal conclusion.
18 A. I do not.
19 **Q. Do you have any knowledge about the**
20 **status, the current status of the Hyatt deal,**
21 **if there is any?**
22 A. I don't.
23 **Q. Other than providing the due**
24 **diligence or information that you listed, did**
25 **you have any other involvement whatsoever with**
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1 **Cygnor**
2 **respect to the Hyatt?**
3 A. I conducted a couple tours for Hyatt
4 personnel, the IT manager, to show our computer
5 systems, our back office systems, office
6 layouts. I also met with the regional vice
7 president of finance and a controller from
8 another local Hyatt in Miami and gave them
9 tours of the hotel, office layout, and they met
10 with certain employees of the finance area.
11 **Q. Other than what you have testified**
12 **to, is there any other information you have**
13 **regarding the Hyatt and the Royal Palm Hotel?**
14 A. No.
15 MR. CROWELL: I'd like to mark as
16 Cygnor Exhibit 5 a document entitled Royal
17 Palm Hotel Monthly Report, Period Ending
18 March 2008.
19 (Cygnor Exhibit 5, Royal Palm Hotel
20 Monthly Report, Period Ending March 2008,
21 Bates stamped RP 1382 through RP 1426,
22 marked for identification.)
23 **Q. Take a look at the document, sir. I**
24 **am just going to ask you if you are familiar**
25 **with it.**
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1 **Cygnor**
2 **(Document review.)**
3 A. Yes, I am.
4 **Q. What is this document?**
5 A. It's the Royal Palm Hotel monthly
6 report.
7 **Q. Who prepared it?**
8 A. I did.
9 **Q. Why did you prepare it?**
10 A. Because it was the month end report,
11 so we needed to prepare -- once we finish the
12 month end, we prepare a report. It goes to
13 Naveen and it goes to -- now it goes to Black
14 Rock or Carbon Capital.
15 **Q. But this was something you prepared**
16 **in the ordinary course of business; is that**
17 **correct?**
18 A. Every month, yes.
19 **Q. If you would, sir, can you tell me**
20 **where in this March 2008 -- take a look --**
21 **strike that.**
22 **Take a look at Mitchell Exhibit 28.**
23 **Keep that in front of you. Can you tell me**
24 **where, if at all, these transfers to Mitchell**
25 **Hotel Group are reflected in this -- in Cygnor**
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1 **Cygnor**
2 **Exhibit 5?**
3 A. They would be reflected on, let me
4 see, RP 001419 and RP 001420.
5 **Q. Where on RP 001419 are the payments**
6 **reflected?**
7 A. It would be a reduction from account
8 1055 and it would be a debit to -- on page
9 001420, account 2009.
10 **Q. Other than seeing -- other than**
11 **RP 1419 and RP 1420, which you referred to, is**
12 **there anything else in this document which**
13 **reflects that these payments were made?**
14 A. No.
15 **Q. Is there any other document that you**
16 **are aware of that reflects that these payments**
17 **were made?**
18 A. The -- my bank reconciliation sheet.
19 MR. SHATZ: Time out a minute.
20 Where is 1419, where is 1420?
21 MR. HAVELES: Look at the numbers
22 down at the very right-hand corner.
23 MR. SHATZ: Oh, okay. Sorry. Got
24 it.
25 **Q. So if someone was reviewing this**
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1 Cygnor
2 document, they would have to compare this
3 document to a balance sheet from the prior
4 month to learn that this account reflected as
5 2009 had been reduced to learn that these
6 payments were made; correct?

7 A. Yes. That's for all accounts.

8 Q. Okay. And there is no other ledger
9 that shows payments being made anywhere?

10 A. Not in this report, no.

11 Q. In any report that you know of was
12 there any -- strike that.

13 You mentioned a bank reconciliation
14 sheet. What is that?

15 A. That's the reconciliation sheet that
16 I do on a daily basis to make sure the bank
17 funds are in balance.

18 Q. Are there any other reports that
19 reflect the payments that are identified in
20 Mitchell Exhibit 28 being made?

21 A. The general ledger detail would.

22 Q. And where is that? Is that on the
23 computer system?

24 A. Yes.

25 Q. Is that a printed document?

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1 Cygnor

2 A. It's on the computer system which
3 could be a printed document.

4 Q. But the general ledger detail is not
5 contained within Cygnor Exhibit 5; correct?

6 A. That's correct.

7 Q. Okay. Is there anywhere in Cygnor
8 Exhibit 5 that the -- actually, can you point
9 me to somewhere in Cygnor Exhibit 5 which shows
10 the operating balance or profits of the hotel
11 for the month of March 2008.

12 A. RP 001393.

13 Q. Okay.

14 A. If you look under the first column,
15 it says "actual."

16 Q. Yes.

17 A. That's the monthly month end for the
18 month of March. If you go down, it says
19 total -- it says gross operating profit, GOP,
20 \$2.1 million.

21 Q. Okay. So that's the gross operating
22 profit at the end of March?

23 A. Correct. For the operation. Then
24 you have your taxes, your interest accrual. So
25 the hotel net was 1 million 73.

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1 Cygnor

2 MR. SHATZ: What page did you say
3 that was?

4 MR. HAVELES: 1393.

5 THE WITNESS: It's 1393.

6 Q. Okay. Do you know how the property
7 taxes on the hotel were paid, sir?

8 A. Yes, I do.

9 Q. Can you explain that.

10 A. They were paid by Wachovia through
11 the reserve accounts.

12 Q. Were the reserve accounts always --
13 strike that.

14 Did the reserve accounts, to your
15 knowledge, always have enough funds to pay the
16 property taxes that were due?

17 A. Yes.

18 Q. At all times?

19 A. At all times, no.

20 Q. When did that not -- when was that
21 not true?

22 A. Actually, I would like to change my
23 answer. At all times for the taxes due by May
24 30th of 2008 there were enough funds in the
25 reserve accounts to pay those funds, to pay

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1 Cygnor

2 those taxes, and in April of 2008 Wachovia took
3 the funds available and paid the property taxes
4 on the hotel.

5 Q. Did you direct Wachovia to make
6 those payments?

7 A. I did not. It's part of the loan
8 agreement with Wachovia.

9 MR. CROWELL: All right. Can we
10 take a break. If you give me just a few
11 more minutes I may be close to done, but I
12 just need to look through my notes and then
13 we can get you out of here.

14 THE WITNESS: Sure.

15 MR. CROWELL: Okay.

16 THE VIDEOGRAPHER: The time is 4:29.

17 We are going off the record.

18 (Recess was taken from 4:29 to
19 4:41.)

20 THE VIDEOGRAPHER: The time is 4:41.

21 We are back on the record.

22 MR. CROWELL: I have no further

23 questions. Thank you, Mr. Cygnor.

24 THE WITNESS: Okay.

25 MR. HAVELES: Mr. Cygnor, I have a

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1 Cygnor
 2 sample of which has been marked as Exhibit 5,
 3 to Carbon Capital?
 4 A. Yes.
 5 Q. And the detailed accounts payable
 6 information was over and above the monthly
 7 report?
 8 A. Yes.
 9 Q. When did you start sending the
 10 monthly report to Carbon Capital?
 11 A. September or October of '07.
 12 Q. And after you sent the monthly
 13 report to Carbon Capital, other than a
 14 breakdown of the detail for accounts payable,
 15 did Carbon Capital ever ask you to provide any
 16 other detailed reports with respect to the
 17 information that was displayed in the monthly
 18 report that you gave them starting in September
 19 or October?
 20 A. No.
 21 Q. You said you learned about the
 22 mezzanine loan not being a loan to the hotel in
 23 connection with looking for papers in this
 24 case. Do you remember that?
 25 A. Yes.
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1 Cygnor
 2 Q. Did that occur when you were in
 3 New York meeting with counsel to prepare for
 4 what would have been the first hearing in this
 5 case?
 6 A. Yes.
 7 Q. So is that the meeting that -- at
 8 the end of April, beginning of May?
 9 A. Yes.
 10 Q. And prior to that time you never had
 11 any knowledge about Royal Palm Senior Investors
 12 being the borrower under the mezzanine debt?
 13 A. No, I was not aware of that.
 14 Q. And the Receiver became responsible
 15 for the operation of the hotel on May 7th;
 16 correct?
 17 A. That's correct.
 18 Q. You indicated that -- Mr. Crowell
 19 asked you questions about transfers that were
 20 made by Mr. Mitchell during 2007 to Wachovia.
 21 Do you remember that?
 22 A. Yes.
 23 Q. Was Wachovia the only account to
 24 which Mr. Mitchell or Mitchell Hotel Group made
 25 transfers when there was a need for additional
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1 Cygnor
 2 cash by the hotel?
 3 A. No, there were also transfers to the
 4 hotel operating account.
 5 Q. Did Mr. Mitchell -- did anyone --
 6 withdraw that.
 7 Did anyone ever request Mr. Mitchell
 8 to make transfers before he made those
 9 transfers either to Wachovia or Regions?
 10 A. We -- someone would have to request
 11 that, yes.
 12 Q. And did you ever make any requests
 13 directly to Mr. Mitchell between 2007 and April
 14 2008?
 15 A. Indirectly through Naveen or
 16 Wachovia.
 17 Q. Okay. And when you had
 18 conversations with Naveen, what was the nature
 19 of the conversations you had with Mr. Naveen
 20 Ahuja about the need for additional cash?
 21 A. That we would be short for a payroll
 22 coming up or our sales taxes were past due, we
 23 need to make the payment, and I would give him
 24 the amount that was needed to fund. He would
 25 then e-mail or call Guy and then we would
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1 Cygnor
 2 get -- the money would then be transferred
 3 sometimes to the operating account, sometimes
 4 to Wachovia, sometimes directly to the tax
 5 entity.
 6 Q. And every time there was such a
 7 transfer, you booked it as a loan by Mitchell
 8 Holding Group -- Mitchell Hotel Group or
 9 Mr. Mitchell --
 10 A. Yes.
 11 Q. -- prior to making the change in the
 12 label of the account?
 13 A. Yes, I would.
 14 Q. And when there were transfers back
 15 to Mr. Mitchell, when Mr. Mitchell made
 16 transfers back to him, what was the accounting
 17 effect of those transfers?
 18 A. We would reduce the cash in the bank
 19 and then we would reduce the loan due to
 20 Mitchell Hotel Group.
 21 Q. After you started sending the
 22 monthly reports to Carbon Capital in September
 23 or October of 2007, did anyone from Carbon
 24 Capital ever ask you about the Mitchell Hotel
 25 Group line item in the liability section of the
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1 Cygnor
2 balance sheet?
3 A. No.
4 Q. I ask you to take a look at the
5 document that was marked as Cygnor Exhibit --
6 I'm sorry, not Cygnor Exhibit. It was a
7 Mitchell Exhibit that you were shown. It was
8 Mitchell Exhibit 28, which is the one-page
9 spread sheet dated June 4, 2008 that you said
10 you had prepared.
11 A. Yes.
12 Q. Do you have that in front of you?
13 A. Yes.
14 Q. What is the posting date shown on
15 that?
16 A. That's the date that I do my bank
17 entries into the system.
18 Q. When you say "into the system," what
19 system are you referring to?
20 A. Sun Systems, the hotel accounting
21 system.
22 Q. The general ledger?
23 A. Yes, the general ledger.
24 Q. Does the posting date reflect the
25 date of the actual transfer?
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1 Cygnor
2 A. On this sheet it does not.
3 Q. Okay. And what document or report
4 would you look at to see the date of the actual
5 transfer?
6 A. I would have my bank reconciliation
7 report that I keep.
8 Q. So looking at Exhibit 28 with
9 respect to all the transfers shown on April 30,
10 that does not mean that those transfers, in
11 fact, all occurred on April 30, does it?
12 A. That's correct, yeah, it doesn't
13 reflect the date of the transfer.
14 Q. You would have to look at the bank
15 reconciliation report to see the date of the
16 actual transfers?
17 A. Yes.
18 Q. Could you look at Cygnor Exhibit 4,
19 which is the stipulation and order that
20 Mr. Crowell showed you.
21 A. Yes.
22 Q. Do you remember in connection with
23 looking at that Mr. Crowell asked you some
24 questions about the expenditure report that you
25 prepared on a daily basis and sent to
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1 Cygnor
2 Mr. Francis?
3 A. Yes.
4 Q. Did any -- did Mr. Mitchell ever ask
5 you to exclude the transfers from that report
6 that you prepared?
7 A. He did not.
8 Q. You made -- who made the decision
9 not to include them on that report?
10 A. It was my error not to -- not to
11 include them.
12 Q. You had indicated you had some
13 meetings with senior people at Hyatt when
14 Mr. Crowell was asking you about the Hyatt
15 transaction. Do you recall that?
16 A. Yes.
17 Q. You made reference to a regional
18 manager and a couple of other people?
19 A. Correct.
20 Q. Were they -- what were the
21 circumstances where you met -- under which you
22 met with those people?
23 A. It was due to the fact that Hyatt --
24 the takeover date was coming up for Hyatt
25 Hotels and they were coming in to do a
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1 Cygnor
2 transition and so they were in the hotel to
3 look at -- they met with accounting staff, they
4 had tours of the hotel, office space, and they
5 asked for some information which I wasn't able
6 to provide at that time.
7 Q. Did any of them -- of the people
8 with whom you met take up residence in the
9 hotel?
10 A. They were -- yes, there was a group
11 in the hotel staying.
12 Q. Okay. And was the regional manager
13 with whom you were meeting one of the
14 individuals who took up residence --
15 A. Yes.
16 Q. -- at the Royal Palm Hotel?
17 A. Yes.
18 Q. Was this at the end of January 2008?
19 A. Yes, it was.
20 Q. The last set of questions
21 Mr. Crowell asked you about were documents that
22 reflected the transfers made by Mr. Mitchell
23 and you alluded to the bank reconciliation
24 sheet and the general ledger detail. Do you
25 remember that?
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1 Cygnor
 2 A. Yes.
 3 Q. When you say "general ledger
 4 detail," what does that refer to?
 5 A. That's every transaction posted to
 6 an account on a monthly basis.
 7 Q. So is that in accounting language
 8 the journal detail about any time there is a
 9 transaction showing the debit and credit?
 10 A. Yes.
 11 MR. HAVELES: I have no further
 12 questions of the witness at this time.
 13 EXAMINATION BY
 14 MR. SHATZ:
 15 Q. Do you recall on or about May 19th
 16 when Receiver Rosenblatt and I came down to the
 17 hotel?
 18 A. Yes.
 19 Q. And as a result of our coming to the
 20 hotel, were certain changes made with regard to
 21 the banking procedures of the hotel?
 22 A. Yes.
 23 Q. And what were they?
 24 A. All of the bank accounts were put
 25 into -- the signers in all the bank account --
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1 Cygnor
 2 Q. And do you recall a conversation we
 3 had when you sent me certain slips showing the
 4 actual transfers to Mitchell which were labeled
 5 Mitchell Hotel Group?
 6 A. Correct.
 7 Q. And do you recall that you indicated
 8 to me that there was an error on those three
 9 that you did as a sample for me?
 10 A. No.
 11 Q. Do you recall that actually the
 12 transfers went not to Mitchell Hotel Group, but
 13 to Mr. Mitchell's personal account?
 14 A. No. No.
 15 MR. SHATZ: All right.
 16 MR. CROWELL: I have some follow-up
 17 from Mr. Haveles' questions.
 18 FURTHER EXAMINATION BY
 19 MR. CROWELL:
 20 Q. Referring to Mitchell Exhibit 28,
 21 what are the dates -- do you know what dates
 22 these transfers were actually made on?
 23 A. They are various dates. Off the top
 24 of my head, I do not.
 25 Q. Have you produced a copy of the bank
 TSG Reporting - Worldwide 877-702-9580

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1 Cygnor
 2 owners of the accounts changed.
 3 Q. And was Mr. Mitchell a signer on the
 4 account prior to that date?
 5 A. Yes, he was.
 6 Q. Did he remain a signer afterwards?
 7 A. To my knowledge, he is not.
 8 Q. And, similarly, you were a signer on
 9 the accounts prior to that date?
 10 A. Yes, I was.
 11 Q. And did you remain a signer
 12 afterwards?
 13 A. I did not.
 14 Q. And has the Receiver put in a
 15 procedure where there is oversight of the
 16 finances of the hotel?
 17 A. Yes.
 18 Q. And is that in operation and
 19 effective?
 20 A. It is in operation and it is
 21 effective.
 22 Q. Okay. Last question. You will
 23 recall that when I asked you to produce the
 24 report which is labeled Mitchell Exhibit 28 --
 25 A. Yes.
 TSG Reporting - Worldwide 877-702-9580

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1 Cygnor
 2 reconciliation in this case to anybody?
 3 A. I have not.
 4 RQ MR. CROWELL: I call for production
 5 of that document. I'm not sure why we don't
 6 have it.
 7 MR. SHATZ: I will instruct the
 8 witness on behalf of the Receiver to
 9 produce those documents.
 10 MR. HAVELES: I have already asked
 11 Mr. Cygnor as well. He said he was going
 12 to be able to get -- make arrangements to
 13 have it tomorrow. I don't think it was
 14 responsive to any of the document requests
 15 that were propounded back in the document
 16 requests I instituted in April, but, you
 17 know --
 18 MR. CROWELL: I disagree with that,
 19 but that's fine. As long as we can have it
 20 by tomorrow, I have no problem with that.
 21 MR. HAVELES: I expect that we will
 22 have it probably early afternoon.
 23 MR. CROWELL: Okay.
 24 BY MR. CROWELL:
 25 Q. You said in response to one of
 TSG Reporting - Worldwide 877-702-9580

Exhibit 2

Royal Palm Hotel
Balance Sheet As At
January-07

Assets**Current Assets**

1000	House Banks	55,000.00	
1003	Citi 725 Lock Box	236,436.93	
1004	Citi 738 Operating	(553,328.46)	
1005	Citi 770 CAPEX	(529,928.13)	
1006	Wachovia Lock Box	469,709.66	
1007	Tax Escrow Account	34,965.67	
1009	A/P Disbursement Account	30,000.00	
1010	Condo Deposit	140,000.00	
1011	Operating Reserve	6.94	
1017	Insurance Escrow ACC	728,172.68	
1020	Mezz Interest Reserve	617,920.98	
1021	Capital Reserve Escrow	58,346.35	
1023	Capex Reserve Renovation	1,713,920.85	
1024	Senior Interest Reserve	2,739,235.47	
	Total Current Assets		5,740,458.94

Accounts Receivable

1100	City Ledger	435,443.91	
1108	Guest Ledger	(247,481.41)	
1116	Credit Card Chargebacks	(688.22)	
1120	Employee Advances	444.84	
1124	Travel Advances	1,200.00	
1128	A/R Miscellaneous	51,772.20	
	Total Accounts Receivable		240,691.32

Other Receivables

1129	Royal Palm Condo Sales Office	357,444.34	
1130	Breakwater A/R	112,609.35	
1131	Hotel 71 A/R	214,554.26	
1132	Allowance - Doubtful Accounts	(3,525.45)	
1134	Melbourne Hotel	6,184.62	
	Total Other Receivables		687,267.12

Inventories

1200	Food Inventory	32,501.32	
1203	Liquor Inventory	73,850.18	
	Total Inventories		106,351.50

Reserves

1303	Reserve Rooms Linen	229,605.73	
	Total Reserves		229,605.73

Prepays

1400	Prepaid Advertising	12,174.62	
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**CONFIDENTIAL****RP 011250**

1406	Prepaid Dues & Subscriptions	2,900.02	
1409	Prepaid Insurance	46,701.36	
1418	Prepaid Maintenance Contracts	7,707.93	
1424	Prepaid Other	11,930.59	
1436	Prepaid Supplies	2,186.08	
1437	Prepaid Contracts	8,615.90	
	Total Prepaids		92,216.50
Other Assets			
1600	P/R Manual Check Clearing	0.00	
1605	A/R Clearing	0.00	
	Total Other Assets		0.00
Other Assets			
1705	Deposits	143,472.19	
1801	Building	136,050,413.77	
1805	Current Year Additions/FF&E	342,854.64	
1815	Construction in Progress	5,364,176.54	
1850	Construction In Progress	1,607,898.91	
1855	Loan Closing Cost	1,516,851.52	
1860	Interest Rate Cap Costs	129,200.00	
1870	Pre-Opening Costs	1,020,479.30	
	Total Other Assets		146,175,346.87
	Total Assets		<u>153,271,937.98</u>
Liabilities			
Current Liabilities			
2000	A/P Trade	2,140,865.72	
2008	Lifestar AP	243,632.92	
2009	Guy Mitchell A/P	9,899,909.50	
2011	A/P Claims	476,587.25	
2200	Advance Deposits	696,589.22	
2205	Refunds	14,848.98	
2210	Gift Certificates	(70.00)	
2300	Travel & Tour Assessment	77,102.83	
2305	Occupancy Tax	51,929.19	
2310	R.E. & Property Tax	75,000.00	
2315	Sales Tax	307,064.56	
2316	Phone Tax	1,474.49	
2320	Use Tax	13,516.36	
2415	State Unemployment Insurance	(19.86)	
2430	Accrued Incentive	32,858.31	
2433	Accrued Payroll	247,607.62	
2436	Accrued Vacation	76,626.10	
2442	Banquet Service Charge	492.64	
2445	Bell Gratuities	(4.49)	
2451	F&B Gratuities	10,536.65	
2500	Accrued Electricity	53,401.64	
2610	Accrued Interest	3,446,695.00	
2618	Accrued Other	1,263,122.94	
2624	Accrued T/A Commission Group	34,415.01	
2630	Accrued Property Taxes	69,960.15	

2691	Condo Developer Fees	868,493.00	
2693	Condo Development Fees	151,986.30	
2720	Limo Rental	(270.05)	
2730	Bech Rental	(74.52)	
	Total Current Liabilities		20,254,277.46
Long Term Liabilities			
2807	Long Term Loan	108,355,132.52	
2808	Long Term Mezz Loan	24,545,813.00	
2809	Long Term Wachovia Op Res	4,202,845.36	
2813	Due To/From Fator	150,000.00	
	Total Long Term Liabilities		137,253,790.88
Equity			
2900	Retained Earnings Prior Year	(19,796,244.42)	
2901	Capital	16,123,081.20	
2902	Capital Colony Capitol	(34,828.00)	
2905	Retained Earnings Current Year	(528,139.14)	
	Total Equity		(4,236,130.36)
	Total Liabilities		<u>153,271,937.98</u>

Royal Palm Hotel
Balance Sheet As Of
Feb-07

Assets**Current Assets**

1000	House Banks	55,000.00	
1003	Citi 725 Lock Box	513,266.45	
1004	Citi 738 Operating	(712,501.00)	
1005	Citi 770 CAPEX	(424,358.77)	
1006	Wachovia Lock Box	1,173,482.83	
1007	Tax Escrow Account	34,965.67	
1009	A/P Disbursement Account	40,000.00	
1010	Condo Deposit	140,000.00	
1011	Operating Reserve	6.94	
1017	Insurance Escrow ACC	728,172.68	
1020	Mezz Interest Reserve	617,920.98	
1021	Capital Reserve Escrow	58,346.35	
1023	Capex Reserve Renovation	1,713,920.85	
1024	Senior Interest Reserve	2,739,235.47	
	Total Current Assets		6,677,458.45

Accounts Receivable

1100	City Ledger	425,351.67	
1103	Credit Card Clearing -Discover	(1,806.87)	
1108	Guest Ledger	332,304.30	
1116	Credit Card Chargebacks	(969.59)	
1120	Employee Advances	444.84	
1124	Travel Advances	100.00	
	Total Accounts Receivable		755,424.35

Other Receivables

1129	Royal Palm Condo Sales Office	357,612.69	
1130	Breakwater A/R	112,609.35	
1131	Hotel 71 A/R	369,119.00	
1132	Allowance - Doubtful Accounts	(3,525.45)	
1134	Melbourne Hotel	12,369.24	
	Total Other Receivables		848,184.83

Inventories

1200	Food Inventory	32,501.32	
1203	Liquor Inventory	46,388.83	
	Total Inventories		78,890.15

Reserves

1303	Reserve Rooms Linen	229,605.73	
	Total Reserves		229,605.73

Prepays

1400	Prepaid Advertising	11,033.37	
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1406	Prepaid Dues & Subscriptions	1,391.69	
1409	Prepaid Insurance	(140,392.01)	
1418	Prepaid Maintenance Contracts	17,333.83	
1424	Prepaid Other	63,581.29	
1436	Prepaid Supplies	2,186.08	
1437	Prepaid Contracts	8,615.90	
	Total Prepays		(36,249.85)
Other Assets			
1705	Deposits	143,472.19	
1801	Building	136,050,413.77	
1805	Current Year Additions/FF&E	349,534.85	
1815	Construction in Progress	5,710,909.99	
1850	Construction In Progress	1,607,126.42	
1855	Loan Closing Cost	1,516,851.52	
1860	Interest Rate Cap Costs	129,200.00	
1870	Pre-Opening Costs	1,020,479.30	
	Total Other Assets		146,527,987.84
	Total Assets		<u>155,081,301.50</u>

Liabilities

Current Liabilities			
2000	A/P Trade	2,120,508.89	
2008	Lifestar AP	243,632.92	
2009	Guy Mitchell A/P	9,899,909.50	
2011	A/P Claims	476,587.25	
2200	Advance Deposits	340,444.50	
2205	Refunds	14,848.98	
2210	Gift Certificates	(70.00)	
2300	Travel & Tour Assessment	136,588.42	
2305	Occupancy Tax	133,960.24	
2310	R.E. & Property Tax	75,000.00	
2315	Sales Tax	445,767.10	
2316	Phone Tax	3,308.71	
2320	Use Tax	38,298.58	
2415	State Unemployment Insurance	(19.86)	
2430	Accrued Incentive	32,858.31	
2433	Accrued Payroll	335,184.67	
2436	Accrued Vacation	76,626.10	
2442	Banquet Service Charge	3,307.41	
2445	Bell Gratuities	(314.29)	
2451	F&B Gratuities	16,412.51	
2500	Accrued Electricity	53,401.64	
2610	Accrued Interest	5,646,695.00	
2618	Accrued Other	227,763.87	
2624	Accrued T/A Commission Group	34,415.01	
2630	Accrued Property Taxes	69,960.15	
2691	Condo Developer Fees	868,493.00	
2693	Condo Development Fees	151,986.30	
2720	Limo Rental	(254.05)	
2730	Bech Rental	370.69	

2735	Accrued Payroll	800.00	
	Total Current Liabilities		21,446,471.35
	Long Term Liabilities		
2807	Long Term Loan	108,355,132.52	
2808	Long Term Mezz Loan	24,545,813.00	
2809	Long Term Wachovia Op Res	4,202,845.38	
2813	Due To/From Falor	150,000.00	
	Total Long Term Liabilities		137,253,790.88
	Equity		
2900	Retained Earnings Prior Year	(19,796,244.42)	
2901	Capital	16,123,081.20	
2902	Capital Colony Capitol	(34,828.00)	
2905	Retained Earnings Current Year	89,030.49	
	Total Equity		(3,618,960.73)
	Total Liabilities		<u>155,081,301.50</u>

Royal Palm Hotel
Balance Sheet As Of
Mar-07

Assets**Current Assets**

1000	House Banks	55,000.00	
1003	Citi 725 Lock Box	863,171.09	
1004	Citi 738 Operating	(1,005,364.53)	
1005	Citi 770 CAPEX	(331,881.18)	
1006	Wachovia Lock Box	88,326.67	
1007	Tax Escrow Account	183,485.71	
1009	A/P Disbursement Account	40,000.00	
1010	Condo Deposit	140,000.00	
1011	Operating Reserve	6.94	
1017	Insurance Escrow ACC	469,699.59	
1020	Mezz Interest Reserve	617,920.98	
1021	Capital Reserve Escrow	52,784.88	
1023	Capex Reserve Renovation	1,374,705.38	
1024	Senior Interest Reserve	1,016,790.60	
	Total Current Assets		3,564,646.13

Accounts Receivable

1100	City Ledger	1,115,478.43	
1103	Credit Card Clearing -Discover	(1,806.87)	
1108	Guest Ledger	399,987.28	
1116	Credit Card Chargebacks	(1,375.26)	
1120	Employee Advances	444.84	
1124	Travel Advances	1,100.00	
	Total Accounts Receivable		1,513,828.42

Other Receivables

1130	Breakwater A/R	122,599.35	
1131	Hotel 71 A/R	3,556.44	
1132	Allowance - Doubtful Accounts	(3,525.45)	
1134	Melbourne Hotel	42,274.86	
	Total Other Receivables		164,905.20

Inventories

1200	Food Inventory	43,760.72	
1203	Liquor Inventory	31,830.25	
1215	Honor Bar Inventory	46,761.14	
1230	Retail#1-Accessories Inventory	(301.50)	
	Total Inventories		122,050.61

Reserves

1303	Reserve Rooms Linen	229,605.73	
	Total Reserves		229,605.73

Prepays

1400	Prepaid Advertising	9,892.12	
1406	Prepaid Dues & Subscriptions	(116.64)	
1409	Prepaid Insurance	775,373.47	
1418	Prepaid Maintenance Contracts	15,104.30	
1424	Prepaid Other	59,629.42	
1436	Prepaid Supplies	2,186.08	
1437	Prepaid Contracts	8,615.90	
	Total Prepaids		870,684.65
Other Assets			
1705	Deposits	143,472.19	
1801	Building	136,050,413.77	
1815	Construction in Progress	8,734,739.19	
1855	Loan Closing Cost	1,516,851.52	
1860	Interest Rate Cap Costs	129,200.00	
1870	Pre-Opening Costs	3,350,000.00	
	Total Other Assets		149,924,676.67
	Total Assets		<u>156,390,397.41</u>

Liabilities**Current Liabilities**

2000	A/P Trade	2,315,125.98	
2008	Lifestar AP	166,560.20	
2009	Guy Mitchell A/P	2,725,900.54	
2011	A/P Claims	802,435.62	
2200	Advance Deposits	275,177.47	
2205	Refunds	18,909.46	
2210	Gift Certificates	(70.00)	
2300	Travel & Tour Assessment	215,344.69	
2305	Occupancy Tax	95,012.40	
2310	R.E. & Property Tax	(248,609.43)	
2315	Sales Tax	635,075.81	
2316	Phone Tax	4,387.98	
2320	Use Tax	65,613.83	
2415	State Unemployment Insurance	(19.86)	
2430	Accrued Incentive	32,858.31	
2433	Accrued Payroll	320,563.33	
2436	Accrued Vacation	76,626.10	
2442	Banquet Service Charge	4,995.22	
2445	Bell Gratuities	(391.29)	
2451	F&B Gratuities	29,599.24	
2500	Accrued Electricity	53,401.64	
2610	Accrued Interest	3,446,695.00	
2618	Accrued Other	205,225.03	
2624	Accrued T/A Commission Group	34,415.01	
2630	Accrued Property Taxes	69,960.15	
2691	Condo Developer Fees	3,000,000.00	
2693	Condo Development Fees	350,000.00	
2720	Limo Rental	(601.55)	
2730	Bech Rental	3,193.64	
2735	Accrued Payroll	3,367.00	

Total Current Liabilities		14,700,751.52
Long Term Liabilities		
2807	Long Term Loan	108,355,132.52
2808	Long Term Mezz Loan	24,545,813.00
2809	Long Term Wachovia Op Res	4,202,845.36
2813	Due To/From Fator	150,000.00
	Total Long Term Liabilities	137,253,790.88
Equity		
2900	Retained Earnings Prior Year	(19,796,244.40)
2901	Capital	23,885,983.95
2902	Capital Colony Capitol	(34,828.00)
2905	Retained Earnings Current Year	380,943.46
	Total Equity	4,435,855.01
	Total Liabilities	<u>156,390,397.41</u>

Royal Palm Hotel
Balance Sheet As Of
Apr-07

Assets**Current Assets**

1000	House Banks	55,000.00	
1004	Citi 738 Operating	(44,555.29)	
1006	Wachovia Lock Box	1,221,984.24	
1007	Tax Escrow Account	183,485.71	
1009	A/P Disbursement Account	60,000.00	
1010	Condo Deposit	140,000.00	
1011	Operating Reserve	6.94	
1017	Insurance Escrow ACC	469,699.59	
1020	Mezz Interest Reserve	617,920.98	
1021	Capital Reserve Escrow	52,784.88	
1023	Capex Reserve Renovation	1,374,705.38	
1024	Senior Interest Reserve	1,016,790.60	
1071	Operating Account OLD	620,186.50	
	Total Current Assets		5,768,009.53

Accounts Receivable

1100	City Ledger	1,322,603.98	
1103	Credit Card Clearing -Discover	(1,806.87)	
1108	Guest Ledger	228,143.71	
1116	Credit Card Chargebacks	(1,882.34)	
	Total Accounts Receivable		1,547,058.48

Other Receivables

1129	Royal Palm Condo Sales Office	186.02	
1130	Breakwater A/R	122,599.35	
1131	Hotel 71 A/R	3,556.44	
1132	Allowance - Doubtful Accounts	(3,525.45)	
1134	Melbourne Hotel	65,180.48	
	Total Other Receivables		187,996.84

Inventories

1200	Food Inventory	23,286.72	
1203	Liquor Inventory	22,774.97	
1215	Honor Bar Inventory	34,709.95	
	Total Inventories		80,771.64

Reserves

1303	Reserve Rooms Linen	229,605.73	
	Total Reserves		229,605.73

Prepays

1400	Prepaid Advertising	8,750.87	
1406	Prepaid Dues & Subscriptions	(424.97)	
1409	Prepaid Insurance	775,373.47	

1415	Prepaid Licenses	14,400.00	
1418	Prepaid Maintenance Contracts	7,122.18	
1424	Prepaid Other	78,821.85	
1430	Prepaid Property Tax	398,609.43	
1436	Prepaid Supplies	2,186.08	
1437	Prepaid Contracts	8,615.90	
	Total Prepaids		1,293,454.81
	Other Assets		
1705	Deposits	143,472.19	
1801	Building	136,050,413.77	
1815	Construction in Progress	8,778,428.44	
1850	Construction In Progress	(69,679.37)	
1855	Loan Closing Cost	1,516,851.52	
1860	Interest Rate Cap Costs	129,200.00	
1870	Pre-Opening Costs	3,350,000.00	
	Total Other Assets		149,898,686.55
	Total Assets		159,005,583.58
	Liabilities		
	Current Liabilities		
2000	A/P Trade	3,011,042.39	
2008	Lifestar AP	166,560.20	
2009	Guy Mitchell A/P	2,562,893.10	
2011	A/P Claims	802,435.62	
2200	Advance Deposits	292,555.78	
2205	Refunds	14,982.33	
2210	Gift Certificates	(70.00)	
2300	Travel & Tour Assessment	277,689.09	
2305	Occupancy Tax	157,356.80	
2315	Sales Tax	783,270.69	
2316	Phone Tax	5,649.66	
2320	Use Tax	86,269.72	
2415	State Unemployment Insurance	(19.86)	
2430	Accrued Incentive	32,858.31	
2433	Accrued Payroll	440,728.77	
2436	Accrued Vacation	76,626.10	
2442	Banquet Service Charge	6,953.89	
2445	Bell Gratuities	(381.87)	
2451	F&B Gratuities	32,795.47	
2500	Accrued Electricity	53,401.64	
2610	Accrued Interest	4,764,292.74	
2618	Accrued Other	583,888.29	
2624	Accrued T/A Commission Group	34,415.01	
2630	Accrued Property Taxes	344,960.15	
2691	Condo Developer Fees	3,000,000.00	
2693	Condo Development Fees	350,000.00	
2720	Limo Rental	(601.55)	
2730	Bech Rental	3,059.73	
	Total Current Liabilities		17,883,612.20
	Long Term Liabilities		

2807	Long Term Loan	108,355,132.52	
2808	Long Term Mezz Loan	24,545,813.00	
2809	Long Term Wachovia Op Res	4,202,845.36	
2813	Due To/From Falor	150,000.00	
	Total Long Term Liabilities		137,253,790.88
Equity			
2900	Retained Earnings Prior Year	(19,796,244.42)	
2901	Capital	23,885,983.94	
2902	Capital Colony Capital	(34,828.00)	
2905	Retained Earnings Current Year	(186,731.02)	
	Total Equity		3,868,180.50
	Total Liabilities		<u>159,005,583.58</u>

Royal Palm Hotel
Balance Sheet As Of
May-07

Assets**Current Assets**

1000	House Banks	55,000.00	
1006	Wachovia Lock Box	185,727.40	
1007	Tax Escrow Account	526,407.08	
1010	Condo Deposit	140,000.00	
1011	Operating Reserve	6.77	
1020	Mezz Interest Reserve	617,920.98	
1021	Capital Reserve Escrow	89,695.81	
1023	Capex Reserve Renovation	1,311,731.26	
1024	Senior Interest Reserve	32.46	
1071	Regions Operating 838	369,367.53	
1072	Regions Payroll 629	27,418.78	
	Total Current Assets		3,323,308.07

Accounts Receivable

1100	City Ledger	526,585.32	
1103	Credit Card Clearing - Discover	(1,806.87)	
1108	Guest Ledger	226,606.21	
1116	Credit Card Chargebacks	(1,811.83)	
	Total Accounts Receivable		749,572.83

Other Receivables

1129	Royal Palm Condo Sales Office	295.43	
1130	Breakwater A/R	122,599.35	
1131	Hotel 71 A/R	3,885.24	
1132	Allowance - Doubtful Accounts	(3,525.45)	
1134	Melbourne Hotel	161,101.36	
	Total Other Receivables		284,355.93

Inventories

1200	Food Inventory	18,922.06	
1203	Liquor Inventory	26,083.59	
1215	Honor Bar Inventory	29,381.93	
	Total Inventories		74,387.58

Reserves

1303	Reserve Rooms Linen	229,605.73	
	Total Reserves		229,605.73

Prepays

1400	Prepaid Advertising	7,609.62	
1406	Prepaid Dues & Subscriptions	(733.30)	
1409	Prepaid Insurance	746,648.90	
1415	Prepaid Licenses	14,400.00	
1418	Prepaid Maintenance Contracts	9,152.33	

1424	Prepaid Other	77,087.38	
1430	Prepaid Property Tax	283,609.43	
1436	Prepaid Supplies	2,186.08	
1437	Prepaid Contracts	8,615.90	
	Total Prepaids		1,148,576.34
	Other Assets		
1705	Deposits	143,472.19	
1801	Building	136,050,413.77	
1805	Current Year Additions/FF&E	7,523.00	
1815	Construction in Progress	9,211,618.70	
1855	Loan Closing Cost	1,516,851.52	
1860	Interest Rate Cap Costs	129,200.00	
1870	Pre-Opening Costs	3,350,000.00	
	Total Other Assets		150,409,079.18
	Total Assets		<u>156,218,885.66</u>

Liabilities**Current Liabilities**

2000	A/P Trade	3,036,966.86	
2008	Lifestar AP	166,580.20	
2009	Mitchell Hotel Group, LLC	3,214,366.50	
2011	A/P Claims	753,482.48	
2012	Falor / MSD Group	13,923.20	
2013	Affiliates AP 2005	383,534.00	
2200	Advance Deposits	383,245.30	
2205	Refunds	12,646.08	
2210	Gift Certificates	(70.00)	
2300	Travel & Tour Assessment	(6,843.13)	
2305	Occupancy Tax	(177,329.29)	
2315	Sales Tax	466,045.33	
2316	Phone Tax	(6,353.37)	
2320	Use Tax	105,859.05	
2415	State Unemployment Insurance	(19.86)	
2430	Accrued Incentive	32,858.31	
2433	Accrued Payroll	586,424.11	
2436	Accrued Vacation	76,626.10	
2442	Banquet Service Charge	11,543.80	
2445	Bell Gratuities	(664.49)	
2451	F&B Gratuities	32,966.60	
2500	Accrued Electricity	53,401.64	
2610	Accrued Interest	3,852,695.00	
2618	Accrued Other	288,250.23	
2624	Accrued T/A Commission Group	34,415.01	
2630	Accrued Property Taxes	344,960.15	
2691	Condo Developer Fees	3,000,000.00	
2693	Condo Development Fees	350,000.00	
2720	Limo Rental	(601.55)	
2730	Gift Shop AP	4,791.81	
	Total Current Liabilities		17,013,680.07

Long Term Liabilities

2807	Long Term Loan	108,355,132.52	
2808	Long Term Mezz Loan	24,545,813.00	
2809	Long Term Wachovia Op Res	4,202,845.36	
2813	Due To/From Falor	150,000.00	
	Total Long Term Liabilities		137,253,790.88
Equity			
2900	Retained Earnings Prior Year	(19,796,244.42)	
2901	Capital	22,674,845.72	
2905	Retained Earnings Current Year	(927,186.59)	
	Total Equity		1,951,414.71
	Total Liabilities		<u>156,218,885.66</u>

Royal Palm Hotel
Balance Sheet As Of
Jun-07

Assets**Current Assets**

1000	House Banks	55,000.00	
1006	Wachovia Lock Box	74.38	
1007	Tax Escrow Account	668,772.37	
1011	Operating Reserve	6.77	
1017	Insurance Escrow ACC	26,322.14	
1020	Mezz Interest Reserve	617,920.98	
1021	Capital Reserve Escrow	89,732.67	
1023	Capex Reserve Renovation	1,313,887.53	
1024	Senior Interest Reserve	32.46	
1071	Operating Account OLD	701,070.84	
1072	Payroll Account Chicago H&S	18,815.35	
	Total Current Assets		3,491,635.49

Accounts Receivable

1100	City Ledger	420,677.66	
1108	Guest Ledger	272,589.44	
	Total Accounts Receivable		693,267.10

Other Receivables

1130	Breakwater A/R	122,599.35	
1131	Hotel 71 A/R	6,488.06	
1132	Allowance - Doubtful Accounts	(3,525.45)	
	Total Other Receivables		125,561.96

Inventories

1200	Food Inventory	11,032.19	
1203	Liquor Inventory	17,993.25	
1215	Honor Bar Inventory	23,317.76	
1230	Retail#1-Accessories Inventory	290.00	
	Total Inventories		52,633.20

Reserves

1303	Reserve Rooms Linen	229,605.73	
	Total Reserves		229,605.73

Prepays

1400	Prepaid Advertising	6,468.37	
1406	Prepaid Dues & Subscriptions	(1,308.23)	
1409	Prepaid Insurance	746,648.90	
1415	Prepaid Licenses	7,200.00	
1418	Prepaid Maintenance Contracts	11,765.76	
1424	Prepaid Other	247,353.43	
	Total Prepays		1,018,128.23

Other Assets

1705	Deposits	143,472.19	
1801	Building	136,050,413.77	
1805	Current Year Additions/FF&E	7,523.00	
1815	Construction in Progress	9,911,419.66	
1855	Loan Closing Cost	1,516,851.52	
1860	Interest Rate Cap Costs	129,200.00	
	Total Other Assets		147,758,880.14
	Total Assets		153,369,711.85

Liabilities**Current Liabilities**

2000	A/P Trade	3,263,557.07	
2008	Lifestar AP	166,560.20	
2009	Mitchell Hotel Group, LLC	3,942,700.53	
2010	A/P Clearing	(7,390.00)	
2011	A/P Claims	741,767.09	
2200	Advance Deposits	393,019.93	
2205	Refunds	12,214.08	
2210	Gift Certificates	(70.00)	
2300	Travel & Tour Assessment	95,846.50	
2305	Occupancy Tax	39,953.47	
2315	Sales Tax	120,007.65	
2316	Phone Tax	748.79	
2400	Federal Income Tax	237,965.21	
2403	FICA - Employee	156,368.62	
2409	Federal Unemployment Insurance	5,681.99	
2412	FICA - Employer	156,368.65	
2415	State Unemployment Insurance	19,156.91	
2430	Accrued Incentive	32,858.31	
2433	Accrued Payroll	240,412.60	
2436	Accrued Vacation	76,626.10	
2442	Banquet Service Charge	17,396.62	
2451	F&B Gratuities	15,841.34	
2500	Accrued Electricity	53,401.64	
2610	Accrued Interest	3,852,695.00	
2618	Accrued Other	490,087.57	
2624	Accrued T/A Commission Group	34,415.01	
2630	Accrued Property Taxes	811,350.72	
2720	Limo Rental	(601.55)	
2730	Bech Rental	6,770.94	
2735	Accrued Payroll	903.00	
	Total Current Liabilities		14,976,613.99

Long Term Liabilities

2807	Long Term Loan	108,355,132.52	
2808	Long Term Mezz Loan	24,545,813.00	
2809	Long Term Wachovia Op Res	4,202,845.36	
	Total Long Term Liabilities		137,103,790.88

Equity

2900	Retained Earnings Prior Year	(19,796,244.42)	
2901	Capital	23,885,983.92	

2902	Capital Colony Capitol	(34,828.00)	
2905	Retained Earnings Current Year	(2,765,604.52)	
	Total Equity		1,289,306.98
	Total Liabilities		<u>153,369,711.85</u>

*** Equity accounts are being reviewed and numbers may be updated based on contributions***

Royal Palm Hotel
Balance Sheet As Of
Jul-07

Assets**Current Assets**

1000	House Banks	55,000.00	
1006	Wachovia Lock Box	322,173.43	
1007	Tax Escrow Account	668,772.37	
1011	Operating Reserve	6.94	
1017	Insurance Escrow ACC	26,322.14	
1020	Mezz Interest Reserve	617,920.98	
1021	Capital Reserve Escrow	89,770.78	
1023	Capex Reserve Renovation	1,316,119.22	
1024	Senior Interest Reserve	32.48	
1055	Regions Lock Box 890	244.17	
1071	Regions Operating 838	130,710.96	
1072	Regions Payroll 629	(10,271.59)	
	Total Current Assets		3,216,801.88

Accounts Receivable

1100	City Ledger	408,583.73	
1108	Guest Ledger	163,091.04	
	Total Accounts Receivable		571,674.77

Other Receivables

1130	Breakwater A/R	122,599.35	
1131	Hotel 71 A/R	8,110.77	
	Total Other Receivables		130,710.12

Inventories

1200	Food Inventory	11,769.24	
1203	Liquor Inventory	20,394.22	
1215	Honor Bar Inventory	8,330.90	
	Total Inventories		40,494.36

Reserves

1303	Reserve Rooms Linen	229,605.73	
	Total Reserves		229,605.73

Prepays

1400	Prepaid Advertising	5,327.12	
1409	Prepaid Insurance	459,243.08	
1415	Prepaid Licenses	6,000.00	
1418	Prepaid Maintenance Contracts	5,577.75	
1433	Prepaid Real Estate Tax	143,297.77	
	Total Prepays		619,445.72

Other Assets

1705	Deposits	143,472.19	
1801	Building	136,050,413.77	

1805	Current Year Additions/FF&E	7,523.00	
1815	Construction in Progress	9,967,068.50	
1855	Loan Closing Cost	1,516,851.52	
1860	Interest Rate Cap Costs	129,200.00	
	Total Other Assets		147,814,528.98
	Total Assets		<u>152,623,261.56</u>
Liabilities			
Current Liabilities			
2000	A/P Trade	3,501,386.82	
2009	Guy Mitchell A/P	3,892,730.53	
2011	A/P Claims	439,207.95	
2200	Advance Deposits	352,466.88	
2205	Refunds	12,214.08	
2300	Travel & Tour Assessment	81,788.37	
2305	Occupancy Tax	89,190.79	
2315	Sales Tax	447,625.80	
2316	Phone Tax	3,502.63	
2400	Federal Income Tax	259,276.93	
2403	FICA - Employee	169,641.53	
2409	Federal Unemployment Insurance	5,849.22	
2412	FICA - Employer	169,641.55	
2415	State Unemployment Insurance	19,721.30	
2430	Accrued Incentive	29,816.01	
2433	Accrued Payroll	234,566.20	
2436	Accrued Vacation	100,845.95	
2442	Banquet Service Charge	16,563.35	
2445	Bell Gratuities	582.00	
2451	F&B Gratuities	19,200.47	
2500	Accrued Electricity	53,401.64	
2610	Accrued Interest	3,852,695.00	
2618	Accrued Other	167,950.58	
2630	Accrued Property Taxes	961,350.72	
	Total Current Liabilities		14,881,216.30
Long Term Liabilities			
2807	Long Term Loan	108,355,132.52	
2808	Long Term Mezz Loan	24,545,813.00	
2809	Long Term Wachovia Op Res	4,202,845.36	
	Total Long Term Liabilities		137,103,790.88
Equity			
2900	Retained Earnings Prior Year	(19,796,244.42)	
2901	Capital	23,885,983.95	
2902	Capital Colony Capitol	(34,828.00)	
2905	Retained Earnings Current Year	(3,416,657.15)	
	Total Equity		638,254.38
	Total Liabilities		<u>152,623,261.56</u>

Royal Palm Hotel
Balance Sheet As Of
Aug-07

Assets**Current Assets**

1000	House Banks	55,000.00	
1006	Wachovia Lock Box	74,451.10	
1007	Tax Escrow Account	668,772.37	
1011	Operating Reserve	6.94	
1017	Insurance Escrow ACC	26,322.14	
1020	Mezz Interest Reserve	617,920.98	
1021	Capital Reserve Escrow	89,770.78	
1023	Capex Reserve Renovation	1,316,119.22	
1024	Senior Interest Reserve	32.48	
1055	Regions Lock Box 890	17,917.00	
1071	Regions Operating 838	(159,797.32)	
1072	Regions Payroll 629	(56,354.76)	
	Total Current Assets		2,650,160.93

Accounts Receivable

1100	City Ledger	419,034.69	
1108	Guest Ledger	166,784.73	
1120	Employee Advances	500.00	
	Total Accounts Receivable		586,319.42

Other Receivables

1130	Breakwater A/R	122,599.35	
1131	Hotel 71 A/R	8,526.57	
	Total Other Receivables		131,125.92

Inventories

1200	Food Inventory	10,187.05	
1203	Liquor Inventory	15,220.47	
1215	Honor Bar Inventory	6,445.75	
	Total Inventories		31,853.27

Reserves

1303	Reserve Rooms Linen	229,605.73	
	Total Reserves		229,605.73

Prepays

1400	Prepaid Advertising	4,185.87	
1406	Prepaid Dues & Subscriptions	9,284.00	
1409	Prepaid Insurance	753,787.47	
1415	Prepaid Licenses	4,800.00	
1418	Prepaid Maintenance Contracts	18,047.08	
1433	Prepaid Real Estate Tax	143,297.77	
	Total Prepays		933,402.19

Other Assets

1705	Deposits	143,472.19	
1801	Building	136,050,413.77	
1805	Current Year Additions/FF&E	7,870.77	
1815	Construction in Progress	9,961,001.73	
1855	Loan Closing Cost	1,516,851.52	
1860	Interest Rate Cap Costs	129,200.00	
	Total Other Assets		147,808,809.98
	Total Assets		152,371,277.44
Liabilities			
Current Liabilities			
2000	A/P Trade	3,896,531.85	
2009	Mitchell Hotel Group, LLC	4,671,583.53	
2011	A/P Claims	439,207.95	
2012	Falor / MSD Group	13,923.20	
2013	Affiliates AP 2005	383,534.00	
2200	Advance Deposits	377,294.16	
2205	Refunds	14,364.08	
2300	Travel & Tour Assessment	122,744.05	
2305	Occupancy Tax	130,146.47	
2315	Sales Tax	290,425.44	
2316	Phone Tax	4,284.36	
2400	Federal Income Tax	325,433.53	
2403	FICA - Employee	207,213.81	
2409	Federal Unemployment Insurance	6,308.58	
2412	FICA - Employer	207,213.81	
2415	State Unemployment Insurance	21,271.63	
2430	Accrued Incentive	29,816.01	
2433	Accrued Payroll	83,983.83	
2436	Accrued Vacation	100,845.95	
2442	Banquet Service Charge	17,303.40	
2445	Ball Gratuities	582.00	
2451	F&B Gratuities	23,529.70	
2500	Accrued Electricity	53,401.64	
2610	Accrued Interest	3,852,695.00	
2618	Accrued Other	189,588.52	
2630	Accrued Property Taxes	1,086,350.72	
2730	Gift Shop AP	2,387.76	
	Total Current Liabilities		16,551,964.98
Long Term Liabilities			
2807	Long Term Loan	108,355,132.52	
2808	Long Term Mezz Loan	24,545,813.00	
2809	Long Term Wachovia Op Res	4,202,845.36	
	Total Long Term Liabilities		137,103,790.88
Equity			
2900	Retained Earnings Prior Year	(19,796,244.42)	
2901	Capital	22,674,845.79	
2905	Retained Earnings Current Year	(4,163,079.79)	
	Total Equity		(1,284,478.42)

Total Liabilities

152,371,277.44

Royal Palm Hotel
Balance Sheet As Of
Sep-07

Assets**Current Assets**

1000	House Banks	55,000.00	
1006	Wachovia Lock Box	26,312.21	
1007	Tax Escrow Account	668,772.37	
1011	Operating Reserve	6.94	
1017	Insurance Escrow ACC	26,322.14	
1021	Capital Reserve Escrow	89,770.78	
1023	Capex Reserve Renovation	1,316,119.22	
1024	Senior Interest Reserve	32.48	
1055	Regions Lock Box 890	8,732.89	
1071	Regions Operating 838	(98,677.76)	
1072	Regions Payroll 629	(46,999.67)	
	Total Current Assets		2,045,391.60

Accounts Receivable

1100	City Ledger	291,896.03	
1108	Guest Ledger	136,597.31	
1120	Employee Advances	500.00	
1124	Travel Advances	600.00	
	Total Accounts Receivable		429,593.34

Other Receivables

1130	Breakwater A/R	122,599.35	
1131	Hotel 71 A/R	8,526.57	
	Total Other Receivables		131,125.92

Inventories

1200	Food Inventory	6,574.75	
1203	Liquor Inventory	11,968.85	
1215	Honor Bar Inventory	25,890.19	
	Total Inventories		44,433.79

Reserves

1303	Reserve Rooms Linen	229,605.73	
	Total Reserves		229,605.73

Prepays

1400	Prepaid Advertising	3,044.62	
1406	Prepaid Dues & Subscriptions	6,963.00	
1409	Prepaid Insurance	505,787.47	
1418	Prepaid Maintenance Contracts	14,899.68	
1433	Prepaid Real Estate Tax	143,297.77	
	Total Prepays		673,992.54

Other Assets

1705	Deposits	143,472.19	
1801	Building	136,050,413.77	

1805	Current Year Additions/FF&E	7,870.77	
1815	Construction in Progress	9,962,466.10	
1855	Loan Closing Cost	1,516,851.52	
1860	Interest Rate Cap Costs	129,200.00	
	Total Other Assets		147,810,274.35
	Total Assets		151,364,417.27
Liabilities			
Current Liabilities			
2000	A/P Trade	3,102,130.61	
2002	A/P Other	17,816.53	
2009	Mitchell Hotel Group, LLC	4,671,583.53	
2011	A/P Claims	412,368.72	
2012	Falor / MSD Group	13,923.20	
2013	Affiliates AP 2005	383,534.00	
2200	Advance Deposits	463,247.04	
2300	Travel & Tour Assessment	57,889.40	
2305	Occupancy Tax	56,945.46	
2315	Sales Tax	252,860.40	
2316	Phone Tax	1,381.75	
2400	Federal Income Tax	367,566.83	
2403	FICA - Employee	230,672.28	
2409	Federal Unemployment Insurance	6,470.65	
2412	FICA - Employer	230,672.29	
2415	State Unemployment Insurance	19,913.22	
2430	Accrued Incentive	29,816.01	
2433	Accrued Payroll	96,445.47	
2436	Accrued Vacation	100,845.95	
2442	Banquet Service Charge	17,185.82	
2445	Bell Gratuities	462.00	
2451	F&B Gratuities	24,531.33	
2500	Accrued Electricity	249,866.67	
2610	Accrued Interest	3,852,695.00	
2618	Accrued Other	128,953.85	
2630	Accrued Property Taxes	1,206,350.72	
2690	Accrued Mortgage Interest	910,091.97	
2730	Gift Shop AP	1,534.30	
	Total Current Liabilities		16,907,755.00
Long Term Liabilities			
2807	Long Term Loan	108,355,132.52	
2808	Long Term Mezz Loan	24,545,813.00	
2809	Long Term Wachovia Op Res	4,202,845.36	
	Total Long Term Liabilities		137,103,790.88
Equity			
2900	Retained Earnings Prior Year	(20,623,848.62)	
2901	Capital	23,502,450.01	
2905	Retained Earnings Current Year	(5,525,730.00)	
	Total Equity		(2,647,128.61)
	Total Liabilities		151,364,417.27

Royal Palm Hotel
Balance Sheet As Of
Oct-07

Assets**Current Assets**

1000	House Banks	55,000.00	
1006	Wachovia Lock Box	7,044.13	
1007	Tax Escrow Account	788,119.36	
1011	Operating Reserve	6.94	
1017	Insurance Escrow ACC	26,322.14	
1021	Capital Reserve Escrow	89,827.37	
1023	Capex Reserve Renovation	756,798.43	
1024	Senior Interest Reserve	32.50	
1055	Regions Lock Box 890	1,988.70	
1071	Regions Operating 838	(154,352.24)	
1072	Regions Payroll 629	12,731.31	
	Total Current Assets		1,583,518.64

Accounts Receivable

1100	City Ledger	318,250.10	
1108	Guest Ledger	229,843.82	
1120	Employee Advances	400.00	
1124	Travel Advances	600.00	
	Total Accounts Receivable		549,093.92

Other Receivables

1130	Breakwater A/R	122,599.35	
1131	Hotel 71 A/R	4,567.81	
	Total Other Receivables		127,167.16

Inventories

1200	Food Inventory	12,186.99	
1203	Liquor Inventory	12,219.96	
1215	Honor Bar Inventory	21,773.01	
	Total Inventories		46,179.96

Reserves

1303	Reserve Rooms Linen	229,605.73	
	Total Reserves		229,605.73

Prepays

1400	Prepaid Advertising	1,903.37	
1406	Prepaid Dues & Subscriptions	4,642.00	
1409	Prepaid Insurance	809,820.22	
1418	Prepaid Maintenance Contracts	1,504.53	
1433	Prepaid Real Estate Tax	90,000.00	
	Total Prepays		907,870.12

Other Assets

1705	Deposits	143,472.19	
1801	Building	136,050,413.77	
1805	Current Year Additions/FF&E	(95,544.94)	

1815	Construction in Progress	9,978,540.37	
1855	Loan Closing Cost	1,516,851.52	
1860	Interest Rate Cap Costs	129,200.00	
	Total Other Assets		147,722,932.91
	Total Assets		151,166,368.44
Liabilities			
Current Liabilities			
2000	A/P Trade	2,236,983.96	
2002	A/P Other	4,316.53	
2009	Mitchell Hotel Group, LLC	4,341,583.53	
2011	A/P Claims	412,368.72	
2012	Falor / MSD Group	13,923.20	
2013	Affiliates AP 2005	383,534.00	
2200	Advance Deposits	642,560.44	
2205	Refunds	41,067.05	
2300	Travel & Tour Assessment	65,129.13	
2305	Occupancy Tax	33,864.55	
2315	Sales Tax	279,514.21	
2316	Phone Tax	2,102.46	
2400	Federal Income Tax	413,523.61	
2403	FICA - Employee	254,633.84	
2409	Federal Unemployment Insurance	6,580.71	
2412	FICA - Employer	254,633.86	
2415	State Unemployment Insurance	20,284.69	
2430	Accrued Incentive	49,816.01	
2433	Accrued Payroll	147,339.87	
2436	Accrued Vacation	100,845.95	
2442	Banquet Service Charge	22,032.60	
2445	Bell Gratuities	966.18	
2451	F&B Gratuities	33,210.93	
2500	Accrued Electricity	249,866.67	
2610	Accrued Interest	3,852,695.00	
2618	Accrued Other	136,541.59	
2630	Accrued Property Taxes	1,326,350.72	
2690	Accrued Mortgage Interest	1,838,936.24	
2730	Gift Shop AP	2,388.99	
	Total Current Liabilities		17,167,595.24
Long Term Liabilities			
2807	Long Term Loan	108,355,132.52	
2808	Long Term Mezz Loan	24,545,813.00	
2809	Long Term Wachovia Op Res	4,202,845.36	
	Total Long Term Liabilities		137,103,790.88
Equity			
2900	Retained Earnings Prior Year	(20,623,848.62)	
2901	Capital	23,502,450.01	
2905	Retained Earnings Current Year	(5,983,619.07)	
	Total Equity		(3,105,017.68)
	Total Liabilities		151,166,368.44

Royal Palm Hotel
Balance Sheet As Of
Nov-07

Assets**Current Assets**

1000	House Banks	55,000.00	
1006	Wachovia Lock Box	3,685.21	
1007	Tax Escrow Account	788,119.36	
1011	Operating Reserve	6.94	
1017	Insurance Escrow ACC	26,322.14	
1021	Capital Reserve Escrow	89,827.37	
1023	Capex Reserve Renovation	756,798.43	
1024	Senior Interest Reserve	32.50	
1055	Regions Lock Box 890	804.95	
1071	Regions Operating 838	(134,397.21)	
1072	Regions Payroll 629	2,809.40	
	Total Current Assets		1,589,009.09

Accounts Receivable

1100	City Ledger	356,297.74	
1108	Guest Ledger	103,886.84	
1120	Employee Advances	153.94	
1124	Travel Advances	600.00	
	Total Accounts Receivable		460,938.52

Other Receivables

1130	Other A/R	122,599.35	
	Total Other Receivables		122,599.35

Inventories

1200	Food Inventory	16,745.19	
1203	Liquor Inventory	11,676.67	
1215	Honor Bar Inventory	17,757.99	
	Total Inventories		46,179.85

Reserves

1303	Reserve Rooms Linen	229,605.73	
	Total Reserves		229,605.73

Prepays

1400	Prepaid Advertising	762.12	
1406	Prepaid Dues & Subscriptions	2,321.00	
1409	Prepaid Insurance	809,820.22	
1418	Prepaid Maintenance Contracts	752.27	
1433	Prepaid Real Estate Tax	90,000.00	
	Total Prepays		903,655.61

Other Assets

1705	Deposits	143,472.19	
1801	Building	136,050,413.77	

1805	Current Year Additions/FF&E	(78,899.45)	
1815	Construction in Progress	10,034,915.12	
1855	Loan Closing Cost	1,516,851.52	
1860	Interest Rate Cap Costs	129,200.00	
	Total Other Assets		147,795,953.15

Total Assets151,147,941.30**Liabilities****Current Liabilities**

2000	A/P Trade	2,102,164.95	
2009	Mitchell Hotel Group, LLC	4,341,583.53	
2011	A/P Claims	362,368.72	
2012	Falor / MSD Group	13,923.20	
2013	Affiliates AP 2005	383,534.00	
2200	Advance Deposits	699,087.86	
2300	Travel & Tour Assessment	12,560.80	
2305	Occupancy Tax	21,586.55	
2315	Sales Tax	127,559.50	
2316	Phone Tax	696.73	
2400	Federal Income Tax	471,965.61	
2403	FICA - Employee	278,877.61	
2409	Federal Unemployment Insurance	6,797.46	
2412	FICA - Employer	278,877.64	
2415	State Unemployment Insurance	19,292.10	
2430	Accrued Incentive	49,816.01	
2433	Accrued Payroll	190,632.66	
2436	Accrued Vacation	100,845.95	
2442	Banquet Service Charge	21,357.87	
2445	Bell Gratuities	61.94	
2451	F&B Gratuities	20,840.15	
2500	Accrued Electricity	249,866.67	
2610	Accrued Interest	3,852,695.00	
2618	Accrued Other	152,812.55	
2630	Accrued Property Taxes	1,446,350.72	
2690	Accrued Mortgage Interest	2,612,002.80	
2730	Gift Shop AP	1,511.81	
	Total Current Liabilities		17,819,670.39

Long Term Liabilities

2807	Long Term Loan	108,355,132.52	
2808	Long Term Mezz Loan	24,545,813.00	
2809	Long Term Wachovia Op Res	4,202,845.36	
	Total Long Term Liabilities		137,103,790.88

Equity

2900	Retained Earnings Prior Year	(20,623,848.62)	
2901	Capital	23,502,450.04	
2905	Retained Earnings Current Year	(6,654,121.39)	
	Total Equity		(3,775,519.97)

Total Liabilities151,147,941.30

Royal Palm Hotel
Balance Sheet As Of
Dec-07

Assets

Current Assets

1000	House Banks	55,000.00	
1006	Wachovia Lock Box	3,685.99	
1007	Tax Escrow Account	815,042.04	
1011	Operating Reserve	6.94	
1017	Insurance Escrow ACC	26,322.14	
1021	Capital Reserve Escrow	89,864.90	
1023	Capex Reserve Renovation	758,380.24	
1024	Senior Interest Reserve	32.53	
1055	Regions Lock Box 890	27,458.95	
1071	Regions Operating 838	289,834.00	
1072	Regions Payroll 629	4,718.64	
	Total Current Assets		2,070,346.37

Accounts Receivable

1100	City Ledger	354,270.63	
1108	Guest Ledger	501,382.08	
1120	Employee Advances	400.00	
	Total Accounts Receivable		856,052.71

Other Receivables

1130	Other A/R	122,599.35	
	Total Other Receivables		122,599.35

Inventories

1200	Food Inventory	14,497.53	
1203	Liquor Inventory	12,622.57	
1215	Honor Bar Inventory	15,463.13	
	Total Inventories		42,583.23

Reserves

1303	Reserve Rooms Linen	229,605.73	
	Total Reserves		229,605.73

Prepays

1409	Prepaid Insurance	355,346.14	
1418	Prepaid Maintenance Contracts	10,642.84	
	Total Prepays		365,988.98

Other Assets

1705	Deposits	159,015.20	
1801	Building	136,050,413.77	
1805	Current Year Additions/FF&E	(78,899.45)	
1815	Construction in Progress	10,447,531.33	
1855	Loan Closing Cost	1,516,851.52	
1860	Interest Rate Cap Costs	129,200.00	

Total Other Assets		148,224,112.37
Total Assets		<u>151,911,288.74</u>
Liabilities		
Current Liabilities		
2000	A/P Trade	2,100,693.53
2009	Mitchell Hotel Group, LLC	4,391,583.53
2011	A/P Claims	660,503.60
2012	Falor / MSD Group	13,923.20
2013	Affiliates AP 2005	383,534.00
2200	Advance Deposits	691,480.84
2300	Travel & Tour Assessment	62,002.96
2305	Occupancy Tax	65,193.84
2315	Sales Tax	156,361.92
2316	Phone Tax	1,708.38
2400	Federal Income Tax	517,963.91
2403	FICA - Employee	304,012.75
2409	Federal Unemployment Insurance	7,014.11
2412	FICA - Employer	304,012.77
2415	State Unemployment Insurance	18,300.94
2433	Accrued Payroll	236,622.30
2436	Accrued Vacation	120,617.03
2442	Banquet Service Charge	27,203.56
2451	F&B Gratuities	25,048.54
2500	Accrued Electricity	199,866.67
2610	Accrued Interest	3,852,695.00
2618	Accrued Other	73,856.26
2630	Accrued Property Taxes	1,732,703.04
2690	Accrued Mortgage Interest	3,449,702.35
Total Current Liabilities		19,396,605.03
Long Term Liabilities		
2807	Long Term Loan	108,355,132.52
2808	Long Term Mezz Loan	24,545,813.00
2809	Long Term Wachovia Op Res	4,202,845.36
Total Long Term Liabilities		137,103,790.88
Equity		
2900	Retained Earnings Prior Year	(20,644,994.20)
2901	Capital	23,502,450.04
2905	Retained Earnings Current Year	(7,446,563.01)
Total Equity		(4,589,107.17)
Total Liabilities		<u>151,911,288.74</u>

Royal Palm Hotel
Balance Sheet As Of
Feb-08

Assets

Current Assets

1000	House Banks	55,000.00	
1006	Wachovia Lock Box	814,710.03	
1007	Tax Escrow Account	815,042.04	
1011	Operating Reserve	6.94	
1017	Insurance Escrow ACC	26,322.14	
1021	Capital Reserve Escrow	89,883.98	
1023	Capex Reserve Renovation	759,185.31	
1024	Senior Interest Reserve	32.53	
1055	Regions Lock Box 880	61,000.00	
1071	Regions Operating 838	315,006.76	
1072	Regions Payroll 629	11,359.47	
	Total Current Assets		2,947,549.20

Accounts Receivable

1100	City Ledger	685,893.85	
1108	Guest Ledger	228,328.48	
1120	Employee Advances	30.00	
	Total Accounts Receivable		914,252.33

Other Receivables

1130	Breakwater A/R	122,599.35	
	Total Other Receivables		122,599.35

Inventories

1200	Food Inventory	15,835.89	
1203	Liquor Inventory	17,382.53	
1215	Honor Bar Inventory	9,412.98	
	Total Inventories		42,631.40

Reserves

1303	Reserve Rooms Linen	229,605.73	
	Total Reserves		229,605.73

Prepays

1409	Prepaid Insurance	21,636.00	
1418	Prepaid Maintenance Contracts	913.08	
	Total Prepays		22,549.08

Other Assets

1705	Deposits	166,315.20	
1801	Building	136,050,413.77	
1805	Current Year Additions/FF&E	(78,899.45)	
1815	Construction in Progress	10,541,091.10	
1855	Loan Closing Cost	1,516,851.52	
1860	Interest Rate Cap Costs	129,200.00	
	Total Other Assets		148,324,972.14

		Total Assets	<u>152,604,159.23</u>
Liabilities			
Current Liabilities			
2000	A/P Trade	1,423,472.88	
2009	Mitchell Hotel Group, LLC	4,089,906.53	
2011	A/P Claims	383,347.59	
2012	Falor / MSD Group	13,923.20	
2013	Affiliates AP 2005	383,534.00	
2200	Advance Deposits	780,661.99	
2300	Travel & Tour Assessment	68,028.67	
2305	Occupancy Tax	62,912.03	
2315	Sales Tax	107,314.97	
2316	Phone Tax	843.01	
2400	Federal Income Tax	334,031.35	
2403	FICA - Employee	77,090.24	
2409	Federal Unemployment Insurance	15,670.83	
2412	FICA - Employer	364,532.15	
2415	State Unemployment Insurance	14,703.83	
2433	Accrued Payroll	154,257.11	
2436	Accrued Vacation	120,617.03	
2442	Banquet Service Charge	42,335.52	
2445	Bell Gratuities	802.57	
2451	F&B Gratuities	29,580.45	
2500	Accrued Electricity	199,866.67	
2610	Accrued Interest	3,852,695.00	
2618	Accrued Other	169,162.20	
2630	Accrued Property Taxes	2,027,871.04	
2690	Accrued Mortgage Interest	5,140,700.27	
2730	Gift Shop AP	2,758.40	
2735	Beach Rental AP	40.00	
Total Current Liabilities			19,858,659.53
Long Term Liabilities			
2807	Long Term Loan	108,355,132.52	
2808	Long Term Mezz Loan	24,545,813.00	
2809	Long Term Wachovia Op Res	4,202,845.36	
Total Long Term Liabilities			137,103,790.88
Equity			
2900	Retained Earnings Prior Year	(28,086,314.96)	
2901	Capital	23,502,450.04	
2905	Retained Earnings Current Year	225,573.74	
Total Equity			(4,358,291.18)
Total Liabilities			<u>152,604,159.23</u>

Royal Palm Hotel
Balance Sheet As Of
Mar-08

Assets**Current Assets**

1000	House Banks	55,000.00	
1006	Wachovia Lock Box	536,576.83	
1007	Tax Escrow Account	815,042.04	
1011	Operating Reserve	6.94	
1017	Insurance Escrow ACC	26,322.14	
1021	Capital Reserve Escrow	89,935.21	
1023	Capex Reserve Renovation	760,534.72	
1024	Senior Interest Reserve	32.55	
1055	Regions Lock Box 890	14,462.99	
1071	Regions Operating 838	(264,203.91)	
1072	Regions Payroll 629	(79,247.26)	
	Total Current Assets		1,954,462.25

Accounts Receivable

1100	City Ledger	884,548.47	
1108	Guest Ledger	167,005.64	
1120	Employee Advances	20.00	
	Total Accounts Receivable		1,051,574.11

Other Receivables

1130	Other A/R	122,599.35	
	Total Other Receivables		122,599.35

Inventories

1200	Food Inventory	12,258.66	
1203	Liquor Inventory	13,394.64	
1215	Honor Bar Inventory	5,602.72	
	Total Inventories		31,256.02

Reserves

1303	Reserve Rooms Linen	229,605.73	
	Total Reserves		229,605.73

Prepays

1409	Prepaid Insurance	197,607.10	
1418	Prepaid Maintenance Contracts	7,489.29	
	Total Prepays		205,096.39

Other Assets

1705	Deposits	166,315.20	
1801	Building	136,050,413.77	
1805	Current Year Additions/FF&E	(78,899.45)	
1815	Construction in Progress	10,619,368.30	
1855	Loan Closing Cost	1,516,851.52	
1860	Interest Rate Cap Costs	129,200.00	

Total Other Assets		148,403,249.34
Total Assets		151,997,843.19
Liabilities		
Current Liabilities		
2000	A/P Trade	1,629,793.36
2009	Mitchell Hotel Group, LLC	3,004,906.53
2011	A/P Claims	310,505.59
2012	Falor / MSD Group	13,923.20
2013	Affiliates AP 2005	383,534.00
2200	Advance Deposits	651,738.75
2300	Travel & Tour Assessment	83,233.65
2305	Occupancy Tax	75,536.09
2315	Sales Tax	153,785.18
2316	Phone Tax	(376.42)
2400	Federal Income Tax	44,559.71
2403	FICA - Employee	106,637.46
2409	Federal Unemployment Insurance	17,513.93
2412	FICA - Employer	64,400.47
2415	State Unemployment Insurance	20,924.28
2433	Accrued Payroll	207,871.19
2436	Accrued Vacation	120,617.03
2442	Banquet Service Charge	44,897.31
2445	Bell Gratuities	1,026.36
2451	F&B Gratuities	42,531.61
2500	Accrued Electricity	199,866.67
2610	Accrued Interest	3,852,695.00
2618	Accrued Other	103,408.18
2630	Accrued Property Taxes	2,179,871.04
2690	Accrued Mortgage Interest	4,861,895.20
2730	Gift Shop AP	3,867.47
Total Current Liabilities		18,179,162.84
Long Term Liabilities		
2807	Long Term Loan	108,355,132.52
2808	Long Term Mezz Loan	24,545,813.00
2809	Long Term Wachovia Op Res	4,202,845.36
Total Long Term Liabilities		137,103,790.88
Equity		
2900	Retained Earnings Prior Year	(28,086,314.96)
2901	Capital	23,502,450.04
2905	Retained Earnings Current Year	1,298,754.39
Total Equity		(3,285,110.53)
Total Liabilities		151,997,843.19

Exhibit 3

**REGIONS****Regions Bank**

South Beach
1601 Washington Ave
Miami Beach, FL 33139



00013733 01 AV 0312 001
ROYAL PALM HOTEL PROPERTY, LLC
1545 COLLINS AVE
MIAMI BEACH FL 33139-3110

ACCOUNT # 8310808590

Cycle 092
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FREE BUSINESS CHECKING
February 1, 2008 through February 29, 2008

SUMMARY

Beginning Balance	\$827,157.41	Minimum Balance	\$61,000
Deposits & Credits	\$957,930.35	+	
Withdrawals	\$1,724,087.76	-	
Fees	\$0.00	-	
Automatic Transfers	\$0.00	+	
Checks	\$0.00	-	
Ending Balance	\$61,000.00		

DEPOSITS & CREDITS

02/01	American Express Settlement Royal Palm H40 4095460606	46,524.76
02/04	American Express Settlement Royal Palm H40 4095460606	116,121.82
02/04	American Express Settlement Royal Palm H40 4095460606	12,309.66
02/07	American Express Settlement Royal Palm H40 4095460606	69,930.09
02/08	American Express Settlement Royal Palm H40 4095460606	12,108.41
02/11	American Express Settlement Royal Palm H40 4095460606	56,761.16
02/11	American Express Settlement Royal Palm H40 4095460606	24,520.54
02/14	American Express Settlement Royal Palm H40 4095460606	32,809.77
02/15	American Express Settlement Royal Palm H40 4095460606	16,757.08
02/19	American Express Settlement Royal Palm H40 4095460606	67,220.67
02/19	American Express Settlement Royal Palm H40 4095460606	6,360.70
02/20	American Express Settlement Royal Palm H40 4095460606	165.00
02/21	American Express Settlement Royal Palm H40 4095460606	189,579.43
02/22	American Express Settlement Royal Palm H40 4095460606	66,278.58
02/25	American Express Settlement Royal Palm H40 4095460606	63,066.42
02/25	American Express Settlement Royal Palm H40 4095460606	46,046.63
02/28	American Express Settlement Royal Palm H40 4095460606	71,651.05
02/29	American Express Settlement Royal Palm H40 4095460606	59,718.58

Total Deposits & Credits \$957,930.35

WITHDRAWALS

02/08	EB to Checking # 8310551638 Ref# 000000 5089689	764,000.00
02/12	Bank Debit	100,000.00
02/13	Bank Debit	201,677.00
02/26	Bank Debit	36,421.00
02/26	American Express Collection Royal Palm H40 4095460606	56.50
02/29	EB to Checking # 8310551638 Ref# 000000 5746840	532,933.26
02/29	EB to Checking # 8310551646 Ref# 000000 5746904	89,000.00

Total Withdrawals \$1,724,087.76



Regions Bank

South Beach
1601 Washington Ave
Miami Beach, FL 33139

ROYAL PALM HOTEL PROPERTY, LLC
1545 COLLINS AVE
MIAMI BEACH FL 33139-3110



ACCOUNT # 8310808590

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DAILY BALANCE SUMMARY

<u>Date</u>	<u>Balance</u>	<u>Date</u>	<u>Balance</u>	<u>Date</u>	<u>Balance</u>
02/01	873,682.17	02/13	99,756.85	02/22	478,928.08
02/04	1,002,113.65	02/14	132,566.62	02/25	588,041.13
02/07	1,072,043.74	02/15	149,323.70	02/26	551,563.63
02/08	320,152.15	02/19	222,905.07	02/28	623,214.68
02/11	401,433.85	02/20	223,070.07	02/29	61,000.00
02/12	301,433.85	02/21	412,649.50		

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South Beach
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Miami Beach, FL 33139

ROYAL PALM HOTEL PROPERTY, LLC
1545 COLLINS AVE
MIAMI BEACH FL 33139-3110



ACCOUNT # 8310808590

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REGIONS		CHECKING DEBIT		Date: 02/12/08
Pay to the order of	06720	Approved Signature	A. Wallace	
Branch Number	06720	Account #	8310808590	
Check Number	02126707	Payee Name	Royal Palm Hotel	
CHECKOVER	06720	Payee Address	1545 Collins Ave Miami Beach, FL 33139	
Original - Postmark	02/12/08	Pay - Debit	100000.00	
+15000=00064 8310808590 58 /00126707000				

Check# 0 02/12/2008 \$100000.00

REGIONS		CHECKING DEBIT		Date: 02/13/08
Pay to the order of	06720	Approved Signature	A. Wallace	
Branch Number	06720	Account #	8310808590	
Check Number	02126707	Payee Name	Royal Palm Hotel	
CHECKOVER	06720	Payee Address	1545 Collins Ave Miami Beach, FL 33139	
Original - Postmark	02/13/08	Pay - Debit	201677.00	
+15000=00064 8310808590 58 /00136710000				

Check# 0 02/13/2008 \$201677.00

REGIONS		CHECKING DEBIT		Date: 02/26/08
Pay to the order of	06720	Approved Signature	A. Wallace	
Branch Number	06720	Account #	8310808590	
Check Number	02126707	Payee Name	Royal Palm Hotel	
CHECKOVER	06720	Payee Address	1545 Collins Ave Miami Beach, FL 33139	
Original - Postmark	02/26/08	Pay - Debit	36421.00	
+15000=00064 8310808590 58 /00267100000				

Check# 0 02/26/2008 \$36421.00

**REGIONS****Regions Bank**

South Beach
1601 Washington Ave
Miami Beach, FL 33139



00014126 01 AV 0.312 001
ROYAL PALM HOTEL PROPERTY, LLC
1545 COLLINS AVE
MIAMI BEACH FL 33139-3110



ACCOUNT # 8310808590

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FREE BUSINESS CHECKING
March 1, 2008 through March 31, 2008

SUMMARY

Beginning Balance	\$61,000.00	Minimum Balance	\$14,462
Deposits & Credits	\$1,099,469.34	+	
Withdrawals	\$1,146,006.35	-	
Fees	\$0.00	-	
Automatic Transfers	\$0.00	+	
Checks	\$0.00	-	
Ending Balance	\$14,462.99		

DEPOSITS & CREDITS

03/03	American Express Settlement Royal Palm H40 4095460606	55,350.42
03/03	American Express Settlement Royal Palm H40 4095460606	28,244.01
03/05	EB From Checking # 8310551638 Ref# 000000 5967065	100,000.00
03/06	American Express Settlement Royal Palm H40 4095460606	30,022.05
03/07	American Express Settlement Royal Palm H40 4095460606	23,726.13
03/10	American Express Settlement Royal Palm H40 4095460606	63,341.47
03/10	American Express Settlement Royal Palm H40 4095460606	13,064.91
03/13	American Express Settlement Royal Palm H40 4095460606	35,512.48
03/14	American Express Settlement Royal Palm H40 4095460606	13,113.10
03/17	American Express Settlement Royal Palm H40 4095460606	74,746.49
03/17	American Express Settlement Royal Palm H40 4095460606	2,156.20
03/20	American Express Settlement Royal Palm H40 4095460606	56,256.23
03/21	American Express Settlement Royal Palm H40 4095460606	21,857.41
03/24	American Express Settlement Royal Palm H40 4095460606	63,812.63
03/24	American Express Settlement Royal Palm H40 4095460606	15,823.95
03/25	EB From Checking # 8310551638 Ref# 000000 6603287	300,000.00
03/27	American Express Settlement Royal Palm H40 4095460606	35,138.44
03/28	American Express Settlement Royal Palm H40 4095460606	14,067.40
03/31	American Express Settlement Royal Palm H40 4095460606	39,913.84
03/31	American Express Settlement Royal Palm H40 4095460606	13,322.18
03/31	EB From Checking # 8310551646 Ref# 000000 6785939	100,000.00

Total Deposits & Credits \$1,099,469.34

WITHDRAWALS

03/04	American Express Collection Royal Palm H40 4095460606	1,006.35
03/05	Bank Debit	80,000.00
03/13	Bank Debit	200,000.00
03/13	EB to Checking # 8310551646 Ref# 000000 6211961	60,000.00
03/24	Bank Debit	100,000.00
03/26	Bank Debit	495,000.00
03/28	Bank Debit	50,000.00



Regions Bank

South Beach
1601 Washington Ave
Miami Beach, FL 33139

ROYAL PALM HOTEL PROPERTY, LLC
1545 COLLINS AVE
MIAMI BEACH FL 33139-3110



ACCOUNT # 8310808590

Cycle 092
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WITHDRAWALS (CONTINUED)

03/31	Bank Debit	160,000.00
Total Withdrawals		\$1,146,006.35

DAILY BALANCE SUMMARY

Date	Balance	Date	Balance	Date	Balance
03/03	144,594.43	03/13	69,255.12	03/25	517,021.13
03/04	143,588.08	03/14	82,368.22	03/26	22,021.13
03/05	163,588.08	03/17	159,270.91	03/27	57,159.57
03/06	193,610.13	03/20	215,527.14	03/28	21,226.97
03/07	217,336.26	03/21	237,384.55	03/31	14,462.99
03/10	293,742.64	03/24	217,021.13		

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South Beach
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ROYAL PALM HOTEL PROPERTY, LLC
1545 COLLINS AVE
MIAMI BEACH FL 33139-3110



ACCOUNT # 8310808590

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REGIONS CHECKING DEBIT **03/05/2008**

Pay to the order of ROYAL PALM HOTEL

Amount \$ 80,000.00

Account # 8310808590

Check # 0

Signature A. Martinez

Print Name ROYAL PALM HOTEL

Address 1545 COLLINS AVE MIAMI BEACH FL 33139-3110

Amount \$ 80,000.00

Account # 8310808590

Check # 0

Signature A. Martinez

Print Name ROYAL PALM HOTEL

Address 1545 COLLINS AVE MIAMI BEACH FL 33139-3110

Check# 0 03/05/2008 \$80000.00

REGIONS CHECKING DEBIT **03/13/2008**

Pay to the order of ROYAL PALM HOTEL

Amount \$ 200,000.00

Account # 8310808590

Check # 0

Signature A. Martinez

Print Name ROYAL PALM HOTEL

Address 1545 COLLINS AVE MIAMI BEACH FL 33139-3110

Amount \$ 200,000.00

Account # 8310808590

Check # 0

Signature A. Martinez

Print Name ROYAL PALM HOTEL

Address 1545 COLLINS AVE MIAMI BEACH FL 33139-3110

Check# 0 03/13/2008 \$200000.00

REGIONS CHECKING DEBIT **03/24/2008**

Pay to the order of ROYAL PALM HOTEL

Amount \$ 100,000.00

Account # 8310808590

Check # 0

Signature A. Martinez

Print Name ROYAL PALM HOTEL

Address 1545 COLLINS AVE MIAMI BEACH FL 33139-3110

Amount \$ 100,000.00

Account # 8310808590

Check # 0

Signature A. Martinez

Print Name ROYAL PALM HOTEL

Address 1545 COLLINS AVE MIAMI BEACH FL 33139-3110

Check# 0 03/24/2008 \$100000.00

REGIONS CHECKING DEBIT **03/26/2008**

Pay to the order of ROYAL PALM HOTEL

Amount \$ 495,000.00

Account # 8310808590

Check # 0

Signature A. Martinez

Print Name ROYAL PALM HOTEL

Address 1545 COLLINS AVE MIAMI BEACH FL 33139-3110

Amount \$ 495,000.00

Account # 8310808590

Check # 0

Signature A. Martinez

Print Name ROYAL PALM HOTEL

Address 1545 COLLINS AVE MIAMI BEACH FL 33139-3110

Check# 0 03/26/2008 \$495000.00

REGIONS CHECKING DEBIT **03/28/2008**

Pay to the order of ROYAL PALM HOTEL

Amount \$ 50,000.00

Account # 8310808590

Check # 0

Signature A. Martinez

Print Name ROYAL PALM HOTEL

Address 1545 COLLINS AVE MIAMI BEACH FL 33139-3110

Amount \$ 50,000.00

Account # 8310808590

Check # 0

Signature A. Martinez

Print Name ROYAL PALM HOTEL

Address 1545 COLLINS AVE MIAMI BEACH FL 33139-3110

Check# 0 03/28/2008 \$50000.00

REGIONS CHECKING DEBIT **03/31/2008**

Pay to the order of ROYAL PALM HOTEL

Amount \$ 160,000.00

Account # 8310808590

Check # 0

Signature A. Martinez

Print Name ROYAL PALM HOTEL

Address 1545 COLLINS AVE MIAMI BEACH FL 33139-3110

Amount \$ 160,000.00

Account # 8310808590

Check # 0

Signature A. Martinez

Print Name ROYAL PALM HOTEL

Address 1545 COLLINS AVE MIAMI BEACH FL 33139-3110

Check# 0 03/31/2008 \$160000.00

**REGIONS**

Regions Bank

South Beach
1601 Washington Ave
Miami Beach, FL 33139



00013730 01 AV 0.312 001
ROYAL PALM HOTEL PROPERTY, LLC
1545 COLLINS AVE
MIAMI BEACH FL 33139-3110

ACCOUNT # 8310808590

Cycle 092
Enclosures 27
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FREE BUSINESS CHECKING

April 1, 2008 through April 30, 2008

SUMMARY

Beginning Balance	\$14,462.99	Minimum Balance	\$78,624-
Deposits & Credits	\$1,839,477.67	+	
Withdrawals	\$1,473,816.91	-	
Fees	\$19.00	-	
Automatic Transfers	\$0.00	+	
Checks	\$0.00	-	
Ending Balance	\$380,104.75		

DEPOSITS & CREDITS

04/01	EB From Checking # 8310551638 Ref# 000000 6834314	150,000.00
04/03	American Express Settlement Royal Palm H40 4095460606	51,565.45
04/04	American Express Settlement Royal Palm H40 4095460606	31,510.08
04/04	EB From Checking # 8310551638 Ref# 000000 6987464	130,000.00
04/07	American Express Settlement Royal Palm H40 4095460606	24,153.86
04/07	American Express Settlement Royal Palm H40 4095460606	11,317.56
04/07	EB From Checking # 8310551638 Ref# 000000 7053996	300,000.00
04/08	EB From Checking # 8310551638 Ref# 000000 7115352	100,000.00
04/09	EB From Checking # 8310551638 Ref# 000000 7144421	130,000.00
04/10	American Express Settlement Royal Palm H40 4095460606	33,365.41
04/10	EB From Checking # 8310551638 Ref# 000000 7167747	100,000.00
04/11	American Express Settlement Royal Palm H40 4095460606	20,129.66
04/14	American Express Settlement Royal Palm H40 4095460606	24,683.33
04/14	American Express Settlement Royal Palm H40 4095460606	11,083.42
04/14	EB From Checking # 8310551638 Ref# 000000 7288317	23,000.00
04/15	EB From Checking # 8310551638 Ref# 000000 7349432	100,000.00
04/17	American Express Settlement Royal Palm H40 4095460606	32,623.67
04/17	EB From Checking # 8310551638 Ref# 000000 7435908	30,000.00
04/18	Deposit - Thank You	21,022.52
04/18	American Express Settlement Royal Palm H40 4095460606	29,665.77
04/18	EB From Checking # 8310551638 Ref# 000000 7459230	40,000.00
04/21	American Express Settlement Royal Palm H40 4095460606	35,397.68
04/21	American Express Settlement Royal Palm H40 4095460606	34,373.66
04/22	EB From Checking # 8310551638 Ref# 000000 7580518	50,000.00
04/23	EB From Checking # 8310551638 Ref# 000000 7612614	80,000.00
04/24	American Express Settlement Royal Palm H40 4095460606	20,213.88
04/25	American Express Settlement Royal Palm H40 4095460606	29,294.64
04/25	EB From Checking # 8310551638 Ref# 000000 7675766	100,000.00
04/28	American Express Settlement Royal Palm H40 4095460606	34,967.01
04/28	American Express Settlement Royal Palm H40 4095460606	11,110.07
04/28	EB From Checking # 8310551638 Ref# 000000 7760520	50,000.00

Total Deposits & Credits \$1,839,477.67

**REGIONS**

Regions Bank

South Beach
1601 Washington Ave
Miami Beach, FL 33139ROYAL PALM HOTEL PROPERTY, LLC
1545 COLLINS AVE
MIAMI BEACH FL 33139-3110

ACCOUNT # 8310808590

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Page 6
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04/01	Bank Debit	150,000.00
04/02	EB to Checking # 8310551646 Ref# 000000 6891109	10,000.00
04/03	EB to Checking # 8310551646 Ref# 000000 6927841	15,000.00
04/04	Bank Debit	200,000.00
04/08	Bank Debit	400,000.00
04/10	Bank Debit	230,000.00
04/10	Bank Debit	150,000.00
04/16	EB to Checking # 8310551638 Ref# 000000 7386952	100,000.00
04/18	Bank Debit	130,000.00
04/21	Wire Transfer Berger & Webb,	40,000.00
04/24	EB to Checking # 8310551646 Ref# 000000 7658302	20,000.00
04/29	American Express Collection Royal Palm H40 4095460606	816.91
04/30	EB to Checking # 8310551638 Ref# 000000 7835825	20,000.00
04/30	EB to Checking # 8310551646 Ref# 000000 7835844	8,000.00
Total Withdrawals		\$1,473,816.91

FEES

04/21	Wire Transfer	19.00
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DAILY BALANCE SUMMARY

Date	Balance	Date	Balance	Date	Balance
04/01	14,462.99	04/11	58,494.99	04/23	183,336.06
04/02	4,462.99	04/14	271.76	04/24	183,549.94
04/03	41,028.44	04/15	100,271.76	04/25	312,844.58
04/04	2,538.52	04/16	271.76	04/28	408,921.66
04/07	338,009.94	04/17	62,895.43	04/29	408,104.75
04/08	38,009.94	04/18	23,583.72	04/30	380,104.75
04/09	168,009.94	04/21	59,336.06		
04/10	78,624.65	04/22	103,336.06		

You may request account disclosures containing terms, fees, and rate information (if applicable) for your account by contacting any Regions office.

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**REGIONS**

Regions Bank

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ROYAL PALM HOTEL PROPERTY, LLC
1545 COLLINS AVE
MIAMI BEACH FL 33139-3110



ACCOUNT # 8310808590

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REGIONS CHECKING DEBIT

Pay to the order of ROYAL PALM HOTEL

Amount \$ 150,000.00

Signature [Signature]

Account # 8310808590

Check # 0

Date 04/01/2008

Microprint: ⑈15000⑈0005⑈8310808590⑈ 58 ⑈0015000000⑈

Check# 0 04/01/2008 \$150000.00

REGIONS CHECKING DEBIT

Pay to the order of ROYAL PALM HOTEL

Amount \$ 200,000.00

Signature [Signature]

Account # 8310808590

Check # 0

Date 04/04/2008

Microprint: ⑈20000⑈0005⑈8310808590⑈ 58 ⑈0020000000⑈

Check# 0 04/04/2008 \$200000.00

REGIONS CHECKING DEBIT

Pay to the order of ROYAL PALM HOTEL

Amount \$ 400,000.00

Signature [Signature]

Account # 8310808590

Check # 0

Date 04/08/2008

Microprint: ⑈40000⑈0005⑈8310808590⑈ 58 ⑈0040000000⑈

Check# 0 04/08/2008 \$400000.00

REGIONS CHECKING DEBIT

Pay to the order of ROYAL PALM HOTEL

Amount \$ 230,000.00

Signature [Signature]

Account # 8310808590

Check # 0

Date 04/10/2008

Microprint: ⑈23000⑈0005⑈8310808590⑈ 58 ⑈0023000000⑈

Check# 0 04/10/2008 \$230000.00

REGIONS CHECKING DEBIT

Pay to the order of ROYAL PALM HOTEL

Amount \$ 150,000.00

Signature [Signature]

Account # 8310808590

Check # 0

Date 04/10/2008

Microprint: ⑈15000⑈0005⑈8310808590⑈ 58 ⑈0015000000⑈

Check# 0 04/10/2008 \$150000.00

REGIONS CHECKING DEBIT

Pay to the order of ROYAL PALM HOTEL

Amount \$ 130,000.00

Signature [Signature]

Account # 8310808590

Check # 0

Date 04/18/2008

Microprint: ⑈13000⑈0005⑈8310808590⑈ 58 ⑈0013000000⑈

Check# 0 04/18/2008 \$130000.00

**REGIONS****Regions Bank**

South Beach
1601 Washington Ave
Miami Beach, FL 33139



00013215 01 AV 0.324 001
ROYAL PALM HOTEL PROPERTY, LLC
1545 COLLINS AVE
MIAMI BEACH FL 33139-3110



ACCOUNT # 8310808590

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FREE BUSINESS CHECKING

May 1, 2008 through May 30, 2008

SUMMARY

Beginning Balance	\$380,104.75	Minimum Balance	\$630
Deposits & Credits	\$947,406.83	+	
Withdrawals	\$1,322,000.00	-	
Fees	\$38.00	-	
Automatic Transfers	\$0.00	+	
Checks	\$0.00	-	
Ending Balance	\$5,473.58		

DEPOSITS & CREDITS

05/01	American Express Settlement Royal Palm H40 4095460606	26,886.79
05/01	EB From Checking # 8310551638 Ref# 000000 7881287	150,000.00
05/02	American Express Settlement Royal Palm H40 4095460606	8,356.67
05/05	American Express Settlement Royal Palm H40 4095460606	29,821.60
05/05	American Express Settlement Royal Palm H40 4095460606	15,825.19
05/06	EB From Checking # 8310551638 Ref# 000000 8108852	50,000.00
05/07	EB From Checking # 8310551638 Ref# 000000 8131145	50,000.00
05/08	American Express Settlement Royal Palm H40 4095460606	30,998.93
05/08	EB From Checking # 8310551638 Ref# 000000 8165552	50,000.00
05/09	American Express Settlement Royal Palm H40 4095460606	13,425.32
05/12	American Express Settlement Royal Palm H40 4095460606	62,458.65
05/12	American Express Settlement Royal Palm H40 4095460606	9,872.62
05/12	EB From Checking # 8310551638 Ref# 000000 8254508	80,000.00
05/12	EB From Checking # 8310551638 Ref# 000000 8286123	40,000.00
05/13	EB From Checking # 8310551638 Ref# 000000 8330997	40,000.00
05/15	American Express Settlement Royal Palm H40 4095460606	29,850.95
05/15	EB From Checking # 8310551638 Ref# 000000 8415137	25,000.00
05/16	American Express Settlement Royal Palm H40 4095460606	36,465.62
05/16	EB From Checking # 8310551638 Ref# 000000 8455998	75,000.00
05/19	American Express Settlement Royal Palm H40 4095460606	25,604.99
05/19	American Express Settlement Royal Palm H40 4095460606	10,412.34
05/20	EB From Checking # 8310551638 Ref# 000000 8582517	45,000.00
05/22	American Express Settlement Royal Palm H40 4095460606	9,459.94
05/23	American Express Settlement Royal Palm H40 4095460606	8,353.30
05/27	American Express Settlement Royal Palm H40 4095460606	11,110.83
05/27	American Express Settlement Royal Palm H40 4095460606	8,659.52
05/30	American Express Settlement Royal Palm H40 4095460606	4,843.57

Total Deposits & Credits \$947,406.83



Regions Bank

South Beach
1601 Washington Ave
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ROYAL PALM HOTEL PROPERTY, LLC
1545 COLLINS AVE
MIAMI BEACH FL 33139-3110



ACCOUNT # 8310808590

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WITHDRAWALS

05/02	Bank Debit	555,000.00
05/08	Wire Transfer Patterson Belk	37,500.00
05/09	Bank Debit	200,000.00
05/13	Wire Transfer Patterson Belk	37,500.00
05/13	Bank Debit	200,000.00
05/20	Bank Debit	250,000.00
05/27	EB to Checking # 8310551638 Ref# 000000 8776295	22,000.00
05/27	EB to Checking # 8310551646 Ref# 000000 8732319	20,000.00
Total Withdrawals		\$1,322,000.00

FEES

05/08	Wire Transfer	19.00
05/13	Wire Transfer	19.00
Total Fees		\$38.00

DAILY BALANCE SUMMARY

Date	Balance	Date	Balance	Date	Balance
05/01	556,991.54	05/09	12,900.25	05/20	5,046.42
05/02	10,348.21	05/12	205,231.52	05/22	14,506.36
05/05	55,995.00	05/13	7,712.52	05/23	22,859.66
05/06	105,995.00	05/15	62,563.47	05/27	630.01
05/07	155,995.00	05/16	174,029.09	05/30	5,473.58
05/08	199,474.93	05/19	210,046.42		

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Regions Bank

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Miami Beach, FL 33139

ROYAL PALM HOTEL PROPERTY, LLC
1545 COLLINS AVE
MIAMI BEACH FL 33139-3110



ACCOUNT # 8310808590

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REGIONS	CHECKING DEBIT	DATE 05/02/08
Pay to the order of	Amount	555,000.00
Pay to the order of	Amount	555,000.00
CHECK # 0	Amount	555,000.00
DATE 05/02/08	Amount	555,000.00

Check# 0 05/02/2008 \$555000.00

REGIONS	CHECKING DEBIT	DATE 05/09/08
Pay to the order of	Amount	200,000.00
Pay to the order of	Amount	200,000.00
CHECK # 0	Amount	200,000.00
DATE 05/09/08	Amount	200,000.00

Check# 0 05/09/2008 \$200000.00

REGIONS	CHECKING DEBIT	DATE 05/13/08
Pay to the order of	Amount	200,000.00
Pay to the order of	Amount	200,000.00
CHECK # 0	Amount	200,000.00
DATE 05/13/08	Amount	200,000.00

Check# 0 05/13/2008 \$200000.00

REGIONS	CHECKING DEBIT	DATE 05/20/08
Pay to the order of	Amount	250,000.00
Pay to the order of	Amount	250,000.00
CHECK # 0	Amount	250,000.00
DATE 05/20/08	Amount	250,000.00

Check# 0 05/20/2008 \$250000.00

PS/OTZ mca
R. Kiesel. 6615544444

Exhibit 4

Transfers from the Regions Bank Account for Royal Palm Hotel Property, LLC to Guy Mitchell, April - May 2008

Transfer Request Date	Named Recipient	Amount
04/01/2008	"Guy Mitchell"	150,000
04/04/2008	"Guy Mitchell"	200,000
04/08/2008	"Guy Mitchell"	400,000
04/10/2008	"Guy Mitchell"	230,000
04/10/2008	"Guy Mitchell"	150,000
04/18/2008	"Guy Mitchell"	130,000
05/02/2008	"Guy"	555,000
05/09/2008	"1705408406"	200,000
05/13/2008	"Guy Mitchell"	200,000
05/20/2008	"0077606434"	250,000
Total		2,465,000

Exhibit 5



Domestic Wire Transfer Request/Authorization

Originator/Payment By:

GUY MITCHELL		FLDLM EX01012009 IS01012003	
Name		Customer Identification	
14 TAHITI BEACH ISLAND RD		Checking	01/01/1969
Street Address		Account Type	Date of Birth
MIAMI, FL 33256-5335		1705408406	261375714
City/State/Zip		Account Number	Tax Identification Number

Transfer Instructions:

\$1,335,000.00		
Wire Amount		
HSEC BANK USA	BUFFALO, NY	021001088
Target Bank Name	Target Bank City, State	Target Bank ABA
Beneficiary Bank Name	Beneficiary Bank City, State	Beneficiary Bank Account Number
MCCABE & MACK LLP		080787235
Beneficiary's Name	Beneficiary's Address	Beneficiary's Account Number
	POUGHEEPSI, NY 12345	
	Beneficiary's City, State, Zip, or Country	
Originator to Beneficiary Information (optional): BENEFICIARY OF ALBERT ROSENBLATT ACCT # 10959-0001		Bank to Bank Information (optional):

By signing below, I authorize Regions Bank to effect the Funds Transfer described on this request and agree to be bound by the terms and conditions of the Funds Transfer Agreement set forth on the reverse side thereof.

Authorized Signature

Bank Authorized Signature

Name of Corporation/Partnership

Approving Bank Officer

By: Signatory Representative Name (Printed)

Title

Request Date: 06/30/2008

Wire Fee: \$19.00

Wire Sequence Number: 7262

Prepared By: Robert Sepulveda

Branch: 092 06245 PONCE DE LEON, MIAMI, FL